



Pay As You Earn
(PAYE)

**SARS External
Guide**

**GUIDE FOR EMPLOYERS
IN RESPECT OF
EMPLOYMENT TAX INCENTIVE**

REVISION HISTORY TABLE

| Date | Version | Description |
|------------|---------|---|
| 11-09-2020 | 11 | 2020 / 2021 PAYE BRS for Employer Reconciliation |
| 24-02-2021 | 12 | Taxation Laws Amendment Act (Act No. 23 of 2020) |
| 31-05-2021 | 13 | Updated to include Covid-19 Tax Relief amounts on the Annexure – PAYE-GEN-01-G05-A02 |
| 13-09-2021 | 14 | 2021 / 2022 PAYE BRS for Employer Reconciliation and Change Request for expansion of ETI tax relief programme |
| 23-02-2022 | 15 | Taxation Laws Amendment Act (Act No. 20 of 2021) |
| 16-09-2022 | 16 | 2022 / 2023 PAYE BRS for Employer Reconciliation |
| 19-09-2025 | 17 | Taxation Laws Amendment Act (Act No. 42 of 2024) |

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1 PURPOSE

- This guide in its design, development, implementation and review phases is guided and underpinned by the SARS Strategic Plan 2020/21 – 2024/25 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) and the Expanded Employment Tax Incentive Annexure.

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 office 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 ETI is aimed at encouraging employers to hire young and less experienced work seekers. If an employer is eligible to receive the ETI 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 2029.

What is Expanded Tax Incentive

- The expanded employment tax incentive was a short-term tax relief measure aimed at assisting tax compliant businesses with cash flow so that businesses can retain their employees which will result in minimizing unemployment and the risk of the economy grinding to a halt as a result of the COVID-19 outbreak. Initially, the expansion of the ETI programme was made available for a limited period of four months, beginning 1 April 2020 and ending on 31 July 2020.
- The negative impacts of COVID-19 were further exacerbated by the impacts of the unrest in the country that resulted in a destruction of businesses and infrastructure. Government, therefore granted additional assistance to those employers who were adversely affected by COVID-19, as well as assisting in the process of reconstructing businesses.
- Initially, the expansion of the ETI programme was made available for a limited period of four months, beginning 1 April 2020 and ending on 31 July 2020.
- The expansion of the ETI was extended for another limited four-month period, from 1 August 2021 to 30 November 2021, please refer to the Expanded Employment Tax Incentive Annexure attached to this guide for more details.

4 HOW WILL THE ETI WORK?

Reference to the Act Section 2 of the ETI Act

Meaning

- The ETI applies to only 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 meets all the requirements under the ETI Act, 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 when the employer reconciles at the end of the tax year). 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 criterion 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 3(b) and (c) of the ETI Act
Schedules 2 and 3 of the PFM Act
Section 1 of the Local Government Act

7 MONTHLY WAGE COMPLIANCE FOR QUALIFYING EMPLOYEES

Reference to the Act Section 4 of the ETI Act
Section 1 of Basic Conditions of Employment 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–
 - the higher of the amount payable by a collective agreement; sectoral determination or binding bargaining council agreement or the amount contemplated in the National Minimum Wage Act No. 9 of 2018 (the National Minimum Wage Act) or Schedule 2 of that Act; or
 - if there is no applicable prescribed wage regulating measures or not subject to requirements of National Minimum Wage Act or exempt in terms of that Act:
 - where the employee is employed and paid remuneration for at least 160 hours in a month, the amount of R2 500 in respect of a month;
 - where the employee was employed and paid remuneration for less than 160 hours in a month, an amount that bears to the amount of R2 500 the same ratio as 160 hours bears to the number of hours

- that the employee was employed and paid remuneration by that employer in a month.
- The 160 hours is linked to hours worked and the actual payment received in respect of those hours.
- Unpaid leave will not form part of the 160 hours.
- Effective from 1 March 2018, “hours” means ordinary hours as defined in section 1 of the Basic Conditions of Employment Act No. 75 of 1997.

8 CRITERIA FOR EMPLOYEES WHO QUALIFY

Reference to the Act Section 6 of the ETI Act
 Section 30 of the Refugees Act

- Qualifying employees**
- An employee is a qualifying employee, if the employee:
 - Is 18 to 29 years old;
 - **Note:** This age limit will not apply if the employer that is a “qualifying company” as contemplated in section 12R of the Income Tax Act employs the employee and that employee renders services mainly within the special economic zone to the qualifying company in which the qualifying company carries on trade;
 - 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;
 - If there is no prescribed wage regulating measure or not subject to section 3 of the National Minimum Wage or exempt from the requirements of the National Minimum Wage Act, a wage of at least R2 500 (where the qualifying employee was employed for 160 hours in a month) must be paid.
 - Receives remuneration of less than R7,500 per month.
 - The Minister of Finance has identified the following six as SEZs as from 1 August 2018:
 - Coega;
 - Dube Trade Port;
 - East London;
 - Maluti-A-Phufong;
 - Saldanha Bay; and
 - Richards Bay.
- Qualifying company**
- For an employer to be a ‘qualifying company’ under section 12R of the Income Tax Act that company –
 - Must be incorporated in South Africa, or has its place of effective management in South Africa;
 - Carries on an approved trade;
 - The trade is carried on from a fixed place of business situated within a SEZ;
 - 90% of the income of the company is derived from the carrying on of a trade within one or more SEZ.
- Exclusions**
- The following companies are excluded from definition ‘qualifying company’
 - If that company conducts any of the following activities –
 - distilling and rectifying and blending of spirits (SIC Code 1101);
 - manufacture of wines (SIC Code 1102);
 - manufacture of malt liquors and malt (SIC Code 103);
 - manufacture of tobacco products (SIC Code 12);
 - manufacture of weapons and ammunition (SIC Code 252);

- manufacture of bio-fuels if that manufacture negatively impacts on food security in the Republic;
- A company that conducts any activity classified in the SIC code, which the Minister of Finance may designate by notice in the Gazette; or
- If more than 20% of expenditure that is deductible under the Income Tax Act is incurred, or more than 20% of the income of that company is received by accrued in respect of transactions with any connected person in relation to that company if that connected person is a resident or is not a resident and those transactions are attributable to a permanent establishment of that connected person in the Republic.

An employee

- An employee is defined as a natural person:
 - Who works for another person and in any other manner directly or indirectly assists in carrying on or conducting the business of that other person;
 - Who receives or is entitled to receive remuneration from that other person; and
 - Who is documented in the records that other person as envisaged in the record keeping provisions in section 31 of the Basic Conditions of Employment Act No.75 of 1997.
- The following conditions must be met to qualify as an employee:
 - The employee is **not** mainly involved in the activity of studying, unless if the employee and the employer have entered into a learning programme as defined in section 1 of the Skills Development Act No. 97 of 1998;
 - The effective date is 01 March 2022.
- 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

Reference to the Act

- Section 7(1) of the ETI Act

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 employed for less than 160 hours in a 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 qualifying period 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
Section 7A of the Income Tax 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 with effect from 01 April 2025:

| Monthly remuneration | ETI per month during the first 12 months in which the employee qualified | ETI per month during the next 12 months in which the employee qualified |
|----------------------|--|--|
| R0 – R2 499 | 60% of monthly remuneration | 30% of monthly remuneration |
| R2 500 – R5 499 | R1 500 | R750 |
| R5 500 – R7 499 | Formula: $R1\ 500 - [0,75 \times (\text{monthly remuneration} - R5\ 500)]$ | Formula: $R750 - [0,375 \times (\text{monthly remuneration} - R5\ 500)]$ |

- 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 an amount that bears to the total amount calculated in terms of section 7(2) or (3) the same ratio as the number of hours that the qualifying employee was employed and is paid remuneration in respect of those hours by that employer in that month bears to the number 160.
- The Minister may announce in the national annual budget, changes to the amounts stimulated in sections 4, 5, 6 or 7 of the ETI Act and the effective date/s thereof.

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 monthly-calculated ETI amount claimed exceeds gross employees' tax 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 next (current) month. This 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 1/3/2023 to 31 August 2023

- 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 2023.
- ETI claim for these omitted employees can be claimed on the EMP201 for August 2023.
- If this omission was discovered during September 2023 and the EMP201 for August was already filed, the ETI not claimed for these employees will be deemed nil on 1 September 2023.

- 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 and 9 of the ETI Act

Meaning

- An employer cannot reduce its employees' tax liability if on the last day of that month, if the employer is non- tax compliant, meaning 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 R100 for total debt across all taxes.
- For both tax compliant and non-tax compliant employers, any unclaimed monthly ETI must be claimed by the last month of each PAYE reconciliation period (namely August or February). Section 9(4) of the ETI Act provides that any unclaimed amounts at the said time will be forfeited, on the first day of the month following the end of the PAYE reconciliation period (either 1 September or 1 March). As a result, the excess ETI on either 1 September or 1 March will be deemed to be nil.

14 HOW CAN THE EMPLOYER CLAIM AN ETI REFUND?

Reference to the Act Section 10 of the ETI Act

Meaning

- How will the employer obtain a refund?
 - If there is no employees' tax to set-off against the ETI amount, the employer is entitled to a refund 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 refund 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.
 - Example 1:
Employer submits its August 2015 reconciliation and qualifies for reimbursement of R10 000.
However, the employer is non-compliant (income tax return for 2014 is outstanding).
The employer rectifies this non-compliance on 12 January 2015 and notifies SARS that the non-compliance status is rectified. SARS must pay the refund amount immediately.
 - Example 2:
Employer submits its August 2015 reconciliation and qualifies for reimbursement of R10 000.
However, the employer is non-compliant (income tax return for 2014 is outstanding).
The employer does not rectify its non-compliance by 28 February 2015.
The refund amount of R10 000 is forfeited (in other words, the refund amount is changed to a nil).
- SARS will not pay any refund due to the employer if the amount is less than R100 or any amount determined by the Commissioner in the Government Gazette.
 - Such amount shall be carried forward to the following month of the next reconciliation period.
- **Meaning ETI Errors –**
 - ETI not claimed or under-claimed in a previous month (including January and February 2014)
 - Where an ETI amount was not claimed or a lower amount than the qualifying amount was claimed, the shortfall must be claimed in the month during which the error was realized.
 - Section 9 was amended to insert a new subsection (4) which states that any unclaimed ETI amount must be claimed in the last month of that reconciliation period, by the latest.
 - Example - if employer did not claim the ETI for Employee A in June 2017.
 - This ETI amount can only be claimed either in July 2017 or by the latest August 2017.
 - If the employer does not claim the ETI amount by August 2017, that amount is forfeited (that is, cannot be claimed in any subsequent period).
 - The ETI information on the employees' tax certificates (IRP5/IT3(a)) for that month must not be changed to include the ETI information of the previous month.
 - ETI over-claimed in a previous month (including January and February 2014)
 - Where a higher ETI calculated amount was claimed than the qualifying amount, a revised EMP201 must be submitted for that period.
 - If the error is realised after the EMP501 has been submitted, the ETI information on the relevant IRP5/IT3(a) s must be corrected and re-submitted together with the revised EMP501.
 - Except for the March 2014 (201403), the ETI brought forward amount for March and September must always be zero.
 - Any ETI carried forward amount at the end of the reconciliation period (31 August and 28 February) will be refunded, only if the employer is tax compliant.
 - A system error has been identified in the employers' ETI account,

where an incorrect ETI amount was brought forward for the tax periods 202004 and 202005 EMP201 declarations -

- Where this incorrect ETI amount was utilised by the employer, this has resulted in an under payment of PAYE.
- SARS is correcting the error, and the employer is given the opportunity to make the correct payment of PAYE before a specified date.
- SARS issues the letter to the employer which reflects the summary of account details with correct and incorrect ETI account brought forward values.

Covid-19 Tax Relief Measures

- ETI refunds will be paid on a monthly basis from August 2021 until 7th December 2021. The refund for August 2021 will include the full carry over amount for the reconciliation period
- If the employer is non-compliant when the last monthly refund payment is due, any credit on the account will be carried over and paid as part of the normal six-monthly refund payment process when the final EMP501 reconciliation is submitted.

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 HOW WILL SARS PAY THE REFUND

Reference to the Act

Chapter 10 of the ETI Act

Meaning

- The employer shall be paid any excess amount of ETI at the end of each PAYE reconciliation period. However, the employer shall not be paid the refund if –
 - The employer has failed to submit any returns, or
 - Has any outstanding tax debt.
- Refunds will be paid out via an automated EFT payment to employers using the confirmed bank details on our system.
- ETI refund is paid by SARS into employer's bank account if tax compliant and the employer's bank account has passed the system validations.
 - Should the bank account fail the system validations, a letter will be issued to the employer advising the employer to visit the nearest SARS branch to update the banking details.

17 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 returns and reconciliation submissions (annual and interim) are aligned to allow the submission of the monthly ETI information.

18 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.

19 CSV VALIDATION RULES

| Code | Field name | Validation rules |
|------|-------------------------------|---|
| 7002 | ETI Monthly Remuneration paid | <p>Actual remuneration (as defined in the ETI Act) paid to the employee for a specified month (code 7006)</p> <p>Field Layout:</p> <ul style="list-style-type: none"> • Mandatory • If code 7005 is equal to zero (0. 00), this field may be equal to zero (0.00). • If code 7005 is equal to 1, 2 or 3, this field must be greater than 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 for month 01 and 02 of 2014 year of assessment and from 2015 year of assessment. • If the certificate type is ITREG this field must not be completed. |
| 7003 | Minimum wage | <p>To indicate minimum wage which is the higher of –</p> <ul style="list-style-type: none"> • The national minimum wage, or • The minimum wage according to the wage regulating measure. <p>Note:</p> <ul style="list-style-type: none"> • If the employer is exempt from the minimum wage after successful application and there is no regulating measure, then this field must be zero. • The same minimum wage rate (hourly, weekly or monthly) that is used for code 7003 must be used for code 7008. <p>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> <p>Field Layout:</p> <ul style="list-style-type: none"> • Mandatory • Value must be equal to 0.00 or greater than 0.00 • Decimal digits are mandatory even if the decimal value is zero • Must be decimal point (comma invalid) • Information for a full reconciliation period must be submitted. • 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 | <p>To indicate amount of ETI available to employer for the employee.</p> <p>Field Layout:</p> <ul style="list-style-type: none"> • This field is Mandatory • If code 7005 is equal to zero (0.00), this field must be equal to zero (0.00) • If the year of assessment is less than 2021 and ETI qualifying 12-month cycle indicator Code 7005 is 1, then value cannot be greater R1,000 • If the year of assessment is less than 2021 and ETI qualifying 12-month cycle indicator Code 7005 is 2, then value cannot be greater R500 • If the year of assessment is 2022 and ETI qualifying 12-month cycle indicator Code 7005 is 1 and: <ul style="list-style-type: none"> ▪ Month (code 7006) is equal to 03 thru 07, then the value cannot be more than R1,000 ▪ Month (code 7006) is equal to 08 thru 11, then the value cannot be more than R1,750 ▪ Month (code 7006) is equal to 12 thru 02, then the value cannot be more than R1,000 • If the year of assessment is 2022 and ETI qualifying 12-month cycle indicator Code 7005 is 2 and: <ul style="list-style-type: none"> ▪ Month (code 7006) is equal to 03 thru 07, then the value cannot be more than R500 ▪ Month (code 7006) is equal to 08 thru 11, then the value cannot be more than R1,250 ▪ Month (code 7006) is equal to 12 thru 02, then the value cannot be more than R500. |

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| | | <ul style="list-style-type: none"> • If the year of assessment is 2022 and ETI qualifying 12-month cycle indicator Code 7005 is 3, then the value cannot be greater R750. • If the year of assessment is 2023 and greater and ETI qualifying 12-month cycle indicator (Code 7005) is 1, then the value cannot be greater R1,500. • If the year of assessment is 2023 and greater and ETI qualifying 12-month cycle indicator (Code 7005) is 2, then the value cannot be greater R750. • If Monthly Calculated ETI (code 7004) is greater than zero, then Remuneration paid (code 7002), Wage paid (code 7008) and ETI hours (code 7007) must be greater than zero. • Decimal digits are mandatory even if the decimal value is zero • Must be decimal point (comma invalid). • If the year of assessment is prior to 2019 and 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). • If the year of assessment is equal to 2019 and Month (code 7006) is equal to 03 until 07 (March until July) and 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). • If the year of assessment is equal to 2019 and Month is equal to 08 until 02 (August 2018 until February 2019). <ul style="list-style-type: none"> ▪ If employer SEZ Code (code 2083) is valid: ▪ If employee ETI SEZ Code (code 3264) is valid, then this field MAY is not greater than zero. ▪ If employee ETI SEZ Code (code 3264) is not valid: <ul style="list-style-type: none"> ○ If employee's age for the specified month is greater than / equal to 18 but less than 30 then this field MAY be greater than zero (0.00) ○ If employee's age for the specified month is less than 18 or greater than / equal to 30 then this field MUST be zero (0.00) • If the year of assessment is equal to 2020, then – <ul style="list-style-type: none"> ▪ If ETI SEZ code (code 7009) is completed, then this field MAY be greater than zero (0.00). ▪ If ETI SEZ code (code 7009) is not completed, <ul style="list-style-type: none"> ○ If the employee age for a specified month is greater than / equal to 18 but less than 30, this field MAY be greater than zero (0.00). ○ If the employee age for a specified month is less than 18 or greater than / equal to 30, this field MUST be zero (0.00). • If the year of assessment is equal to 2021, then <ul style="list-style-type: none"> ○ If Month is 04, 05, 06 or 07, then ○ If ETI qualifying 12-month cycle indicator (Code 7005) is 3, then this field MUST be greater than zero: ○ Else, code 7005 must be equal to 1 or 2: ▪ If ETI SEZ Code (Code 7009) is completed, then this field MAY be greater than zero. ▪ If ETI SEZ Code is not completed - <ul style="list-style-type: none"> ○ If the employee's age for a specific month is greater than or equal to 18 but less than 30, this field MAY be greater than zero. ○ If the employee's age for a specific month is less than 18 or greater than or equal to 30, this field MUST be zero. ○ Else, the Month is 04, 05, 06 or 07 – ▪ If ETI SEZ Code (Code 7009) is completed, then this field MAY be greater than zero. ▪ If ETI SEZ Code is not completed - <ul style="list-style-type: none"> ○ If the employee's age for a specific month is greater than or equal to 18 but less than 30, this field MAY be greater than zero. ○ If the employee's age for a specific month is less than 18 or greater than or equal to 30, this field MUST be zero. • If the year of assessment is equal to 2022: <ul style="list-style-type: none"> ▪ If month is 08, 09, 10 or 11, and if ETI qualifying 12-month cycle indicator (Code 7005) is 1 or 2, then: ▪ If ETI SEZ code (code 7009) is completed, then this field MUST be greater than zero (0.00). ▪ If ETI SEZ code (code 7009) is not completed: <ul style="list-style-type: none"> ○ If the employee age for a specified month is greater than or equal to 18 but less than 30, this field MUST be greater than zero (0.00). ○ If the employee age for a specified month is less than 18 or greater or equal to 30, this field MUST be zero (0.00). • If ETI qualifying 12-month cycle indicator (Code 7005) is equal to 3, then <ul style="list-style-type: none"> ▪ If ETI SEZ Code (code 7009) is completed, then this field MAY be greater than zero. ▪ If ETI SEZ Code (code 7009) is not completed: <ul style="list-style-type: none"> ○ If the employee age for a specified month is greater than / equal to 18 |
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| | | <ul style="list-style-type: none"> but less than 65, this field MAY be greater than zero (0.00). ○ If the employee age for a specified month is less than 18 or greater than / equal to 30, this field MUST be zero (0.00). • If Month (code 7006) is 08, 09, 10 or 11, then <ul style="list-style-type: none"> ▪ If ETI SEZ Code (code 7009) is completed, then this field MAY be greater than zero. ▪ If ETI SEZ Code (code 7009) is not completed: <ul style="list-style-type: none"> ○ If the employee age for a specified month is greater than or equal to 18 but less than 30, this field MAY be greater than zero (0.00). ○ If the employee age for a specified month is less than 18 or greater than or equal to 30, this field MUST be zero (0.00). • If year of assessment is greater than 2022: <ul style="list-style-type: none"> ▪ If ETI SEZ Code (code 7009) is completed, then this field MAY be greater than zero. ▪ If ETI SEZ Code (code 7009) is not completed: <ul style="list-style-type: none"> ○ If the employee age for a specified month is greater than or equal to 18 but less than 30, this field MAY be greater than zero (0.00). ○ If the employee age for a specified month is less than 18 or greater than or equal to 30, this field MUST be zero (0.00). • Data for a full reconciliation period must be submitted. • Only applicable for month 01 and 02 of 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 cycle indicator | <p>This indicates 12-month cycle for which employee qualifies for ETI.</p> <p>Field layout:</p> <ul style="list-style-type: none"> • Mandatory field if 3026 is populated with "Y" • If code 3026 is populated with "N" or not completed, this field must not be completed. • Value can only be 0,1, 2 or 3 <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. ▪ 3 – if the employee qualifies for additional ETI (increased ETI due to COVID-19) • Data for a full period of reconciliation must be submitted. • Applicable from 2018 year of assessment. • If the year of assessment is 2021, then option 3 is applicable and if Month (Code 7006) is 04,05,06 or 07 • If year of assessment is 2022, then option 1 is applicable if: <ul style="list-style-type: none"> ▪ Month (Code 7006) is equal to 03 thru 07, and ETI Employment Date Code (3190) is on or after 01/10/2013. ▪ Month (Code 7006) is equal to 08, 09, 10 or 11, and ▪ If ETI SEZ code is (code 7009) is completed, ETI Employment Date Code (3190) may be before, on or after 01/10/2013 in this instance. ▪ If ETI SEZ code is (code 7009) is not completed, ETI Employment Date Code (3190) is on or after 01/10/2013. ▪ Month (code 7006) is equal to 12, 01 or 02 and ETI Employment Date Code (3190) is on or after 01/10/2013. • If year of assessment is 2022, then option 2 is only applicable if ETI Employment Date Code (3190) is on or after 01/10/2013. • If the year of assessment is 2022, then option 3 is only applicable if: <ul style="list-style-type: none"> ▪ Month (Code 7006) is equal to 08 thru 11. • If the year of assessment is equal to 2023 or greater, then option 1 or 2 is only applicable if ETI Employment date (code 3190) is on or after 01/10/2013. • If the certificate type is ITREG, this field must not be completed. |
| 7006 | Month | <p>To indicate the month of the year</p> <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 |

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| | | <ul style="list-style-type: none"> ▪ May = 05 ▪ June = 06 ▪ July = 07 ▪ August = 08 ▪ September = 09 ▪ October = 10 ▪ November = 11 ▪ December = 12 ▪ January = 01 ▪ February = 02 <ul style="list-style-type: none"> • 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 • Information for a full period of reconciliation must be submitted. |
| 7007 | ETI Hours | <p>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> <p>Field layout:</p> <ul style="list-style-type: none"> • This field is Mandatory. • If the value of code 7005 is zero, then this field may be equal to 0.00 (zero). • If the value of code 7005 is 1, 2 or 3, then this field must be greater than 0.00 (zero). • Must be a decimal point • Decimal digits are mandatory even if the decimal value is 0.00 (zero). • 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 | <p>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> <p>Field layout:</p> <ul style="list-style-type: none"> • This field is Mandatory. • If the value of code 7005 is zero, then this field may be equal to 0.00 (zero). • If the value of code 7005 is 1, 2 or 3, then this field must be greater than 0.00 (zero). <ul style="list-style-type: none"> ▪ 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. |
| 7009 | ETI SEZ Code | <p>This is a code for Special Economic Zone in which the employer operates through a fixed place of business and within which employee mainly renders services to the employer, if applicable.</p> <p>If the employee does not render services mainly to the employer (50% or more) within a Special Economic Zone in which the employer has a fixed place of business, this field must not be completed.</p> <p>Field layout:</p> <ul style="list-style-type: none"> • This field is optional. • If the certificate type is ITREG this field must not be completed. • If the year of assessment is less than 2020, this field must not be completed. |

20 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 R2,500 per month.

- In addition, ETI amount claimed must be reversed which will result in interest and penalties on the under payment of PAYE amount.
- The employer received ETI in respect of a specific employee for each month that the employer received ETI relating to the amount that should have been disregarded.
- 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 considering:
 - The number of employees that have been displaced; and
 - The effect that the disqualification may directly or indirectly have on the employees of the 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.

21 RECORD KEEPING

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| 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 | <ul style="list-style-type: none">• Records relating to all returns submitted must be kept / maintained in a manner prescribed by the Commissioner in a public notice.<ul style="list-style-type: none">○ These records must be kept for a period of five years from the date of the submission of the return and must be available for inspection purposes by SARS. |

22 APPLICABILITY TO PROVISIONS OF THE INCOME TAX ACT

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| Meaning | <ul style="list-style-type: none">• The provisions of the TA Act that apply to the IT Act will equally apply to the ETI Act in the following aspects:<ul style="list-style-type: none">○ 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. |
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23 REFERENCES

23.1 LEGISLATION

| TYPE OF REFERENCE | REFERENCE |
|---|--|
| Legislation and Rules administered by SARS: | Income Tax Act No. 58 of 1962 Section 1 and Fourth Schedule. Employment Tax Incentive Act No. 26 of 2013 Tax Administration Act No. 28 of 2011 Skills Development Act No. 97 of 1998 |
| Other Legislation: | Public Finance Management Act No. 1 of 1999 Local Government Act No. 27 of 2000 National Minimum Wage Act No. 9 of 2018 Basic Conditions Employment Act No. 75 of 1997 |
| International Instruments: | None |

23.2 CROSS REFERENCES

| DOCUMENT # | DOCUMENT TITLE |
|---------------------|---|
| PAYE-GEN-01-G01 | Guide for employers i.r.o Employees' Tax deduction tables |
| PAYE-GEN-01-G20 | Guide for employer in respect of Employees' Tax for 2026 |
| PAYE-GEN-01-G05-A01 | SIC7 Codes in respect of Employment Tax Incentive - External Annexure |
| PAYE-GEN-01-G05-A02 | Expanded Employment Tax Incentive - External Annexure |

24 DEFINITIONS, ACRONYMS AND ABBREVIATIONS

The definitions, acronyms and abbreviations can be accessed via the following link: [Glossary A-M | South African Revenue Service \(sars.gov.za\)](#)

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)