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For further guidance as regards the meaning of “grant” for VAT purposes, see Interpretation Note No. 39 (Issue 2) dated 8 February 2013 “VAT Treatment of Public Authorities, Grants and Transfer Payments”.

## **10.2 Income tax**

With effect from 1 January 2014, any amount of ETI received by an eligible employer under the ETI Act that reduces the employee’s tax payable by that employer is exempt from income tax under section 10(1)(s) of the Income Tax Act.<sup>55</sup>

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<sup>54</sup> Section 1(1) of the VAT Act.

<sup>55</sup> As inserted by section 13 of the ETI Act with effect from 1 January 2014.



## **Annexure B – The meaning of “remuneration” in paragraph (1) of the Fourth Schedule to the Income Tax Act**

The term “remuneration” for employees’ tax purposes is defined as any amount of income which is paid or is payable to any person by way of any salary, leave pay, wage, overtime pay, bonus, gratuity, commission, fee, emolument, pension, superannuation allowance, retiring allowance or stipend, whether in cash or otherwise and whether or not for services rendered, including –

- restraint of trade payments;
- an amount, including a voluntary award, received or accrued in commutation of amounts due in terms of a contract of employment or service;
- an amount received or accrued for the relinquishment, termination, loss, repudiation, cancellation or variation of an office or employment or of an appointment;
- an allowance or advance paid to an employee for accommodation, meals or other incidental costs while the employee is by reason of the duties of the employee’s office obliged to spend at least one night away from the employee’s usual place of residence in the Republic is deemed to become payable to the employee in the following month for services rendered. This deeming provision applies when such an allowance or advance was paid to an employee during any month for a night away from the employee’s usual place of residence and that employee has not by the last day of the following month either spent the night away from that employee’s usual place of residence or refunded that allowance or advance to the employer;
- 50% of an allowance paid to a holder of a public office;
- 80% of an allowance or advance for the expense of travelling for business purposes (excluding an allowance paid for actual distance travelled for business purposes, at a rate not exceeding the rate per kilometre fixed by the Minister in the *Government Gazette*);
- fringe benefits received under the Seventh Schedule to the Income Tax Act;
- a gratuity received by or accrued to a person from that person’s employer because such person obtained a university degree or diploma or has been successful in an examination;
- any gain determined under section 8B, which must be included in that person’s income under that section (broad-based equity share plan); and
- any gain determined under section 8C which is required to be included in the income of that person;

but not including —

- amounts paid to common law independent contractors, but excluding amounts paid to common law independent contractors who do not employ three or more qualifying employees and are required to render services mainly at the premises of the client and are subject to the control or supervision of any person as to the manner in which their duties are performed or as to the hours of work.

This exclusion does not apply to —

- any person who receives any remuneration or to whom any remuneration accrues by reason of any services rendered by such person to or on behalf of a labour broker;
- any labour broker;
- any personal service provider;
- a person who is not ordinarily resident in South Africa;
- any pension or additional pension under the Social Assistance Act 59 of 1992;
- any disability grant or additional or supplementary allowance under the Social Assistance Act 59 of 1992;
- any grant or contribution under section 89 of the Children's Act 33 of 1960;
- amounts paid to an employee, wholly in reimbursement of expenditure actually incurred by such employee in the course of employment; and
- any annuity in terms of an order of divorce or decree of judicial separation or agreement of separation.

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