

Unpacking ETI tax relief

By [Bobby Wessels](#)

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The latest Covid-19 tax relief measures announced by Treasury have brought about some much-needed relief for employers. However, in this ever-changing environment, it is imperative employers stay up to date on the latest Covid-19 relief measures aimed at supporting their business and when they do claim relief, they ensure that they submit information correctly to avoid disappointment. The increased Employment Tax Incentive (ETI) is a form of relief which all employers should harness.



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How does the ETI work?

New legislation in terms of the Disaster Draft Management Tax Relief Bill - which is valid only for 1 April 2020 to 31 July 2020 – gives details on exactly how this needs to be applied in practice.

The ETI provides the employer with a deduction from the Pay-As-You-Earn (PAYE) payable to the South African Revenue Services (SARS) and is limited to the entire PAYE liability of the business. Claims needs to be submitted to SARS within 7 days from the end of the month in respect of the month that the claim is made.

Who qualifies for the ETI deduction?

The incentive is fundamentally aimed at benefitting employers and thus for an employer to qualify it must:

- Be tax compliant with SARS and have been registered for Pay As You Earn (PAYE) as of 1 March 2020;
- Not be a public entity;
- Not form part of the government of the Republic;
- Not be a municipal entity;
- Not be disqualified from receiving the incentive by not meeting the conditions as prescribed by the Minister by regulation; and
- Not be disqualified from receiving the incentive by the Minister of Finance due to the displacement of an employee.

Who is regarded as a Qualifying Employee?

The employer will only be allowed the deduction in respect of employees that meet the outlined requirements. An employee will be a qualifying employee if:

- They are not less than 18 years old and not more than 65 years old (the previous requirement that the employee be between the ages of 18 and 29 has been done away with ONLY for the period stated above)
- They are not connected persons in relation to the employer
- They were taken into employment by the employer on or after 1 October 2013
- They are in possession of a valid South African ID or asylum seeker permit
- They are not a domestic worker
- The employer does not pay the employee less than any amount in terms of any wage regulating measure and in the absence of a wage regulating measure the employee does not receive less than R2,000 per month
 - An employer can get the deduction where an employee receives less than R2000 per month, provided that this does not violate any wage regulating measure.

How do I calculate my ETI?

The ETI uses a variety of formulas under 3 different categories in order to calculate your ETI. The three categories are as follows:

1. The employee has been employed for a period of 12 months or less
2. The employee has been employed for more than 12 months but less than 24 months
3. The employee has been employed for more than 24 months

Within each time period the remuneration of the employee will affect the amount which an employer can get as deduction.

The calculation is sensitive to the time period for which the employee has been employed and the remuneration which the employee receives. Make sure to get this right when filing it, or ask experts to make life much easier and to ensure this is done properly to avoid it being declined due to a technical error.

In essence, the ETI deduction is determined based on the fact that the employee works a total of 160 hours in a month for the employer. Where the employee works less than 160 hours the ETI deduction must be reduced by the amount of remuneration paid by the employer in respect of that month bears to the amount of remuneration that would have been payable in respect of that month had the employer employed that employee for the entire month.

With individuals and businesses under so much pressure right now, it is crucial all available measures are employed to assist and the ETI, if done properly, can provide much-needed relief.

ABOUT THE AUTHOR

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