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COMMENTS ON THE DRAFT EMPLOYMENT TAX INCENTIVE BILL

Please find below our comments on the Draft Employment Tax Incentive Bill, as requested.

1. Qualifying employees moving between employers

Problem statement

It appears from the draft Bill that where a qualifying employee moves to another employer, who is not an associated institution of the first employer, the value of the incentive allowed to the new employer must take into account the incentive amount and period allowed to the previous employer. This is evidenced in example 9 of the FAQs as well as in Part iii, paragraph 7(4) of the Bill. This will result in difficulties to employers of monitoring qualifying employee's movements in order to qualify for the correct incentive.

Proposal

Clarity must be provided in this regard on whether the above was the intention. Alternatively, a process must be implemented by SARS to assist employers in monitoring such movements and ensuring that the correct incentive is claimed by the employer.

Absa Bank Limited/Beperk, Reg No 1986/004794/06



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2. Remuneration limits in determining the tax incentive

Problem statement

The limitations on remuneration are in accordance with Part iii, paragraph 7 of the Bill and states that the incentive is allowed on qualifying employees earning between R2000 and R6000. While employees between qualifying age will be on entry level salaries, it is our view that the maximum amount of R6000 may be too low and will place many employees between the qualifying age outside the bracket, thereby disallowing the tax incentive to Absa Bank.

Proposal

It is suggested the upper threshold of remuneration, currently proposed at R6000, should be increased to an appropriate level. We understand that many factors are taken into account in determining the threshold and an increased amount should be reviewed by National Treasury.

3. Unavailability of tax incentive due to outstanding returns

Problem statement

It is noted under Part iii, paragraph 8 that an employer may not utilize the incentive where any return as defined in the Tax Admin Act has failed to be submitted by the employer. The definition of 'Return' in the Tax Admin Act is wide and includes all submissions to SARS. As an example, where a Bank has not submitted an IT3 return to SARS, the Bank as an employer would technically not be in a position to utilize the incentive.

Proposal

We suggest that the term 'Returns' in paragraph 8 is specifically defined for purposes of the Bill and such definition is limited specifically to that of employees' tax returns.


We trust that you will find the above of assistance and thank you for the opportunity to provide you with our comments.

Please contact us on (011) 350 5928/1010 should you have any queries or wish to discuss our proposals.

Yours sincerely



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