

Employment Tax Incentive: How can it help your business?

In an effort to address South Africa's high youth unemployment levels, the government introduced the Employment Tax Incentive (ETI) scheme, with the aim of encouraging and incentivising employers to employ the youth. While this is a great initiative to enhance work opportunities for unemployed youths who often struggle to secure employment due to inexperience, what are the benefits for employers?



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The ETI reduces the cost of hiring young people (i.e. 18 to 29 years old) through a cost-sharing mechanism with the government by reducing the pay-as-you-earn (PAYE) owed to Sars while leaving the salary received by the employee unaffected. It allows the employer to reduce the cost of employment in the first two years, through partial subsidisation (essentially the recoup of this portion of the employee's tax).

As the lockdown restrictions have gradually lifted, businesses begin to resume larger scale operation, however, the financial implications of the economically tough period are still felt. Economic opportunities are thankfully improving and this means an increasing demand for more employees. To generate more revenue, businesses must have sufficient manpower, whilst managing costs.

Youth employment

Taking advantage of the ETI means a win-win. Younger, potentially less experienced workers will gain access to work and earnings opportunities, and businesses can secure the manpower they need at an incentivised cost. This is an especially good option for small or start-up businesses who operate with limited budgets.

The Employment Tax Incentive is only open to private companies who are registered with Sars. The scheme is easily administered, making it accessible to even small businesses.

Businesses simply claim the ETI by decreasing the applicable amount of PAYE payable for all qualifying employees, by completing the ETI field on the businesses' monthly EMP201 submission to Sars.

As businesses seek to reestablish their financial stability post Covid-19, employing younger workers and taking advantage of the ETI is a great way to help build the economy, balance the books and make a socio-economic contribution to address the national challenges of poverty, unemployment and inequality.

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