

Treasury scraps R20m cap on employer's employment tax incentive claims

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The Treasury has accepted the plea by business to scrap the R20m cap on annual claims per employer under the employment tax incentive.



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Business Unity SA and other large employers argued during parliamentary hearings on the incentive that the cap would limit the effectiveness of the programme, which had been successful in enhancing youth employment.

The Treasury has proposed to extend the life of the incentive for two years after it expires at year's end.

Treasury officials responded to the submissions made during the hearings at a meeting of parliament's finance committee on Tuesday, 15 November 2016.

Treasury director Christopher Axelson said a "compelling" case was made that the proposed cap would come at the cost of

higher levels of employment.

Treasury had rejected the proposal to raise the cap, he said, as its analysis "indicates that a higher cap would affect only a handful of claimants and would therefore be ineffectual".

Axelson said Treasury and the SARS would monitor the affordability of the programme within the fiscal framework. This would also inform any further extension beyond the two years proposed.

"Should cost containment of this programme be required, the imposition of a cap will be reviewed," Axelson told MPs.

Treasury did not accept broadening the group of those eligible for the incentive, which it said was aimed primarily at vulnerable, inexperienced, young work seekers. Adjustments to the formula would have revenue implications in the current constrained fiscal situation.

Employees aged 18 to 29 and earning less than R6,500 a month are eligible for the incentive. Axelson said the majority of those benefiting from the incentive earned from R2,000 to R4500.

Treasury did not accept the Cosatu proposal to exclude labour brokers from the incentive.

Axelson said the incentive did not support employment that did not comply with the existing labour regulatory system.

"Excluding a sub-grouping of employers based on the form of subcontracting would impede our principle of horizontal equity. Treasury would rather exclude problematic labour practices in a manner that is consistent with labour legislation and tax principles," he noted.

Source: BDpro

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