Ref#: 504641

16 March 2015

The Chief Directorate: Legislation
National Treasury
Old Reserve Bank Building
Room HB-02.03
Church Square
City of Tshwane
0001

By email:   acollins@sars.gov.za
            uif@treasury.gov.za

Dear Sir

SUBMISSION ON DRAFT NOTICE ON THE UNEMPLOYMENT INSURANCE FUND REDUCTION OF CONTRIBUTIONS

We thank you for the opportunity to contribute to the development of taxation legislation in South Africa. Below we set out our comments and submissions in respect of the above-mentioned draft UIF notice.

Policy on decrease

1. We noted the Minister’s announcement in the Budget Review 2015 that the current surplus in the UIF is approximately R72 billion and that the expected surplus of R57 billion in the UIF in the next 3 years would be utilised to provide short term relief to contributors and increased benefits to beneficiaries.
2. In a time of low economic growth and large budget deficits, this causes some levels of apprehension which is further amplified by the fact that the fuel levy was utilised in this budget as a general revenue fund collection mechanism rather than the relevant surplus.

3. In our view the short term benefits of the proposed utilisation of the surplus is surpassed by the long term risk of impairment to the economy through government’s alternative attempts to fund the budget deficit.

4. This risk is most evident with the ZAR losing 8.5% (R11.45 to R12.42) of its value between the budget announcement and the date of this submission. This loss in value will in the near future be represented by a substantial increase in the fuel price and upward pressure on inflation.

5. **Submission**: National Treasury should reconsider the application of the surplus for short term benefits as opposed to long term benefits, such as a stable fuel price or a reduced state debt burden, until the investigation into the reasons for the surplus becomes more evident and appropriate and informed remedial actions can be implemented.

---

**Remuneration threshold limit**

6. The draft regulation proposes to reduce the remuneration threshold to R1000 but does not propose changes as to how the threshold applies.

7. Where an employee is employed by more than one employer then in terms of section 4 of the Act the Unemployment Insurance Contributions Act, 2002, the contribution applies to each of these employers and employees.

8. None of the exclusions in section 4 provides for an exemption in respect of the remuneration paid in respect of the same individual by another employer and relies merely on other exclusions such as being employed for less than 22 hours a week which in practice happens i.e. an employee can be employed for more than 22 hours a week at more than 1 employer.

9. It follows that the contributions must be made in all instances (and in respect of the same person) where there is an employer and an employee.
10. For example a domestic employee who works 3 days a week for R1200 at one employer and 3 days a week for R1200 at another, will become liable for the maximum UIF levy twice.

11. This results’ in the employee, in relation to the total remuneration earned from all employers, contributes more than an employee that earns the same amount from a single employer.

12. Historically the employee would have to exceed the R14 872 per month threshold before a differentiation applied, thus limiting the problem. However now the employee merely has to exceed R1000 per month per employer to exceed another employees’ contribution with the same salary from a single employer.

13. Submission: *The contribution to the fund should be based on the total remuneration (from all employers) of a single employee. In this regard an exemption by affidavit by the employee could apply where it is confirmed under oath that UIF equal to the maximum rate has already been deducted from the employee’s salary from any other employer.*

Should you require any clarification of the matters raised above we would welcome any discussion on the submissions raised.

Yours sincerely

Muneer Hassan

Pieter Faber

Senior Executive: Tax legislation
and practitioners

Project Director: Tax