

# Employment Tax Incentive expanded

To address the challenge of youth unemployment, government has expanded the Employment Tax Incentive (ETI) to encourage businesses to hire more young people in large numbers.



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President Cyril Ramaphosa announced this on Thursday when he delivered the State of the Nation Address (Sona) at the City Hall in Cape Town.

The Employment Tax Incentive is aimed at encouraging employers to hire young and less experienced work seekers.

It reduces an employer's cost of hiring young people through a cost-sharing mechanism with government, while leaving the wage the employee receives unaffected.

The employer can claim the ETI and reduce the amount of Pay-As-You-Earn (PAYE) tax payable by the amount of the total ETI calculated in respect of all qualifying employees. This incentive came into effect on 1 January 2014.

“Today, our economy is larger than it was before the pandemic. Between the third quarters of 2021 and 2022, around one and a half million new jobs were created in our economy,” the President said.

He noted that the Presidential Employment Stimulus has provided work and livelihood opportunities to more than one million people.

“Last year, we spoke about the value of the Presidential Employment Stimulus in providing work and livelihood opportunities. The initiative has now created over one million opportunities, reaching every province and district in our country,” he said.

Last week, a new cohort of 150,000 school assistants started work at more than 22,000 schools, offering dignity, hope and vital work experience to young people who were unemployed.

The President announced that the Social Employment Fund is also recruiting 50,000 participants in its next phase to undertake work for the common good.

Meanwhile, the revitalised National Youth Service will create a further 36,000 opportunities through non-profit and community-based organisations.

The Department of Home Affairs has also appointed the first cohort of 10,000 unemployed young people to digitise more than 340 million paper-based civic records.

“There are now more than three million users registered on SAYouth.mobi, a zero-rated online platform for young South Africans to access opportunities for learning and earning.

“This has been done in close collaboration with the National Youth Development Agency, which continues to provide valuable assistance to young entrepreneurs and work seekers,” the President said.

The President said that the Presidential Employment Stimulus is also supporting people to earn their own living.

Around 140,000 small-scale farmers have received input vouchers to buy seeds, fertiliser and equipment, providing a boost for food security and agricultural reform.

“This initiative has led to the cultivation of some 640,000 hectares of land. An impressive 68% of these farmers are women,” President Ramaphosa said.

The President said that this year, government aims to provide 250,000 more vouchers to small-scale farmers.

“These are examples of the difference that government can make in people’s lives through innovation, creativity and commitment,” he said.

President Ramaphosa emphasised that the most effective and sustainable way to build an economy is to equip people with the skills and know-how to drive it.

“We have therefore been working to strengthen the link between the skills that we develop and the skills the workplace needs.

“This year, the National Skills Fund will provide R800m to develop skills in the digital and technology sector through an innovative model that links payment for training to employment outcomes,” he said.

The President reiterated government’s call to companies, departments and SOEs to remove the requirement for work experience for young people seeking entry-level positions.

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