



**DEPARTMENT: LABOUR  
REPUBLIC OF SOUTH AFRICA  
UNEMPLOYMENT INSURANCE FUND**

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**TO ALL EMPLOYERS**

The new Unemployment Insurance Contributions Act, 2001, will come into operation on 1 April 2002. This new law will bring the collection of Unemployment Insurance Fund contributions in line with the collection of *employees tax (PAYE)* and *Skills Development Levy (SDL)*. This in effect means that the South African Revenue Service (**SARS**) will collect UIF contributions from those employers that are registered with SARS for the payment of PAYE and SDL. The new provisions are intended to streamline the collection of contributions from employers, allowing employers more time to focus on important aspects of their business rather than being involved in completing administrative tasks.

Included in the monthly **EMP 201** return issued by SARS in respect of April 2002 will be an additional column for the declaration of UIF contributions. Please note that PAYE, SDL and UIF contributions in respect of April 2002 are payable not later than 7 May 2002. **All employers that are currently registered with SARS for PAYE and SDL purposes will receive the new EMP 201 return from SARS. This completed return together with payment for PAYE, SDL and UIF contributions must be submitted to SARS and NOT the Unemployment Insurance Fund as was previously done.** SARS will receive these contributions on behalf of the Fund and credit the employer's records accordingly.

**Those employers that are NOT required to register with SARS for PAYE or SDL purposes must continue to pay their contributions directly to the Unemployment Insurance Fund, as in the past.** The UF 3 return form will be issued by the Fund to all these employers. The return together with payment must be submitted to the Fund not later than the 7<sup>th</sup> day of every month. Even if only 1 employee is liable for the payment of tax, the employer must register with SARS for PAYE, SDL and UIF purposes and the UIF contributions in respect of **all** employees must be paid to SARS.

The current blue card system will also be replaced during 2002, with an electronic database of employees. All employers are required in terms of the New Unemployment Insurance Act, to furnish the details of their employees to the Unemployment Insurance Fund **and NOT to SARS** in the manner that is prescribed (attached is a list of the details that will be required). **This means that even those employers, who are registered with SARS and therefore pay the UIF contribution to SARS with effect from 1 April 2002, are required to furnish details of their**

**employees directly to the Fund.** For all those employers that have electronic payroll systems, the technical specifications for these payroll extracts can be obtained from the Fund on request (phone no. (012) 337 1680). The information required has been synchronised as far as possible with the IRP 5 tax certificate details that employers already collect for tax purposes in order to ensure that employers will be able to easily comply with the new law.

There are a number of benefits of the new electronic database, among them being: -

Accurate recording of all contributions to ensure the best possible service to workers when they become unemployed.

Employers will no longer need to manage the larger number of blue cards manually as this information will be stored electronically by the Fund.

Reduction in the number of enquires to employers, regarding the verification of details of the unemployed workers.

The improvement of the statistical database to ensure the continued viability and sustainability of the Fund, of which the employers and employees are the principal contributors.

Employers will be required to make a once-off declaration of all their employees to the Unemployment Insurance Fund, and then update the database with changes to staff on a monthly basis i.e. new appointments and staff whose services have been terminated.

In terms of the New Unemployment Insurance Act, benefits can only be paid to unemployed workers whose details appear on the database. This means that if an employer fails to declare the details of their employees from whom contributions are being collected, they will not only be in contravention of the new law, but will also be causing hardship to the workers when they lose their jobs, as the processing of claims will be delayed, due to the employers non-declaration.

Other **key areas of the legislation** that will affect employers are as follows:

All employees must contribute to the Fund up to and including the ceiling amount of R 8 099 per month. This means that if there are any employees earning more than R 8 099 per month, their contributions must be deducted up until this ceiling amount. Such employees will be covered for benefits at the corresponding rate. The amount of R 8 099 is the current maximum earnings level - this will be adjusted according to wages and salaries in the formal sector.

All definitions of earnings have been standardised in terms of the Fourth Schedule of the Income Tax Act, 1962. Only the following items are excluded for the purposes of calculating UIF contributions:

- commission,
- pension,
- superannuation allowance,
- retirement allowance,
- annuity,
- restraint of trade compensation,
- lump sum payments from pension, provident and retirement annuity funds,
- any amount, including any voluntary award, received or accrued in respect of the relinquishment, termination, loss, repudiation, cancellation or variation of an office or employment or of an appointment,

- 50% of an allowance paid or advance given to an employee or holder of a public office in respect of the expense of travelling for business purposes (excluding an allowance paid for actual distance traveled for business purposes, at a rate not exceeding the rate per kilometer fixed by the Minister of Finance in the Government Gazette),
- 50% of an allowance paid to a holder of a public office,

The benefit structure has been changed from the flat rate of 45% to a graduated benefit rate ranging from 38% for the highest paid workers to 58% for the lowest paid workers.

Maternity benefits have been improved, by de-linking this from Unemployment benefits, in other words, claiming maternity benefits does not forfeit the right to other unemployment benefits.

There are stricter enforcement and compliance measures, which are intended to ensure severe penalties to those employers that deliberately contravene the provisions of the new law.

Domestic workers will be included under the provisions of the new law 12 months after promulgation.

The key changes to the various types of benefits are included in the attached brochure.

The launch of the New Unemployment Insurance Act heralds a new era in the transformation of the Fund, and it is hoped that both the business and labour community will continue their support to the Fund to ensure that my team and I are able to deliver quality services to you as the principal clients of the Unemployment Insurance Fund.



UNEMPLOYMENT INSURANCE COMMISSIONER  
SS MKHONTO