

Confusion regarding UIF contributions continues

Confusion persists regarding UIF contributions since a new Unemployment Insurance Fund (UIF) scale of benefits came into effect on 1 April 2017. The limit for those claiming benefits was increased from R178,464 per annum to R212,539 per annum (or from R14,872 per month to R17,712 per month).



Photo by Pawel Chu on Unsplash

The cause of confusion

In previous years, changes to UIF benefits and the value of contributions deducted from employees (and matched by employer contributions) were implemented on the same date, for the same value. So, many assumed that the increase in benefits limits should likewise be applied to contribution limits. But no formal statement to that effect had been issued. As a result, employers and payroll practitioners were uncertain about updating their payroll parameters.

In May 2017, the South African Payroll Association (SAPA) published an article by one of its directors, Arlene Leggat, offering clarity. It explained that contributions and benefits are regulated by two separate laws. Contributions are governed by the Unemployment Insurance Contributions Act of 2002 and any changes must be announced by the Minister of Finance through the government gazette. Benefits, however, are regulated by the Unemployment Insurance Act of 2001 and the Minister of Labour must announce changes, also through the government gazette.

Like SAPA, various commentators have addressed the issue. Sadly, the very bodies that should supply much-needed answers have not only failed to do so but have compounded the problem.

Making things worse

Leggat refers to an infographic, issued by the UIF at the time of the increase, encouraging organisations to also increase their contribution ceilings. “Lately, we’ve seen this erroneous document doing the rounds again, creating more confusion,” she notes.

Worse still, it was recently reported that the Department of Labour's own online U-filing service had applied the new threshold to its calculation for contributions. When asked why, the UIF explained it was an error that was being corrected.

"It appears that even the Department of Labour employees are unsure," observes Leggat. "This demonstrates a lack of communication that must be resolved at the highest level."

The effect of the problem

In terms of Section 7(5) of the Unemployment Insurance Contributions Act of 2002, if an employer makes deductions in excess of the payment prescribed by the Act, they must return the amount to their employees even if they're not refunded by the UIF. However, according to Section (7)(3)(c), if the employer fails to deduct the correct amount, they become liable for the contribution. "This puts employers in a catch-22 situation," says Leggat. "For companies with hundreds or thousands of employees, it could become a major administrative problem."

The solution

"Our attempts to provide employers with logical answers have little effect if the Department of Labour is as confused as everyone else," concludes Leggat. "The Minister of Labour, the Minister of Finance or the Unemployment Insurance Commissioner should make a public statement that instructs employers on how to proceed in no uncertain terms."

SAPA formally requests that such a statement be made and invites concerned parties to join its petition of the government to do so.

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