

Tax & Legal News Alert



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Adjustment to ETI thresholds

The Employment Tax Incentive ("ETI") was introduced on 1 January 2014 and is scheduled to remain available until 28 February 2029. It is an incentive aimed at encouraging employers to hire young and less experienced work seekers by reducing the amount of employees' tax ("PAYE") to be remitted by the employer to the South African Revenue Service ("SARS"). It effectively reduces the cost to employers of hiring young people through a cost-sharing mechanism with government, while leaving the wage the employee receives unaffected.

Adjustment of eligible remuneration bands

The journey so far

At the time of introduction, the monthly remuneration thresholds for ETI were set between R2 000 to R6 000 per month. The top end was increased to R6 500 with effect from 1 March 2019.

The National Minimum Wage Act[1] took effect from 1 January 2019, and the National Minimum Wage ("NMW") that was introduced was R20 per hour. The NMW has since increased on an annual basis from R20 per hour on 1 January 2019 to the current rate which is R27.58 per hour, with effect from 1 March 2024. The most recent increase being from R25.42 to R27.58 per hour with effect from 1 March 2024, which represents an 8.5% increase from the prior year and an increase of 38% in total since the introduction of the NMW.

Inflation[2] has also increased, year-on-year. Since the last change to the ETI maximum remuneration, inflation was 5.134% per year on average. The average from November 2023 to September 2024 is 5%, making the latest 5-year average 5.092%.

The proposal

In recognition that the increase in remuneration over time could dilute the benefits for both employees and employers, thereby making the incentive less attractive, the Minister of Finance has proposed that the eligible remuneration bands be increased with effect from 1 April 2025.[3]

- The minimum monthly remuneration band will be adjusted to R2 500 (from R2 000).
- 60% of the remuneration below R2 500, where such minimum is allowed due to existing exemptions, will be available to the employer as an incentive.

- The maximum value of R1 500 of the incentive will apply to remuneration between R2 500 and R5 500 (increased from R2 000 and R4 500 respectively).
- The value of the incentive will continue to decline as remuneration increases, tapering to zero where remuneration reaches R7 500 (previously R6 500).

Benefits of the proposal

The adjustment of the remuneration bands will be greatly welcomed by employers who have been actively participating in the incentive. It will help them fund the increase in employment costs for qualifying employees by using the ETI to partially fund a higher monthly remuneration for qualifying employees, taking them further away from the work poverty line. In addition, employers will be encouraged to pay their workers more, increasing their purchasing power, which will ultimately have a positive effect on the economy.

Next steps

Employers who are not currently participating in the ETI, should consider participation, given that the incentive, from which they were potentially excluded, is now available to them.

Employers who are actively participating in the ETI should ensure that their systems are correctly and timely configured to account for the changes.

All employers who participate or are considering participating in the ETI should ensure that they fully comply with all qualifying criteria before claiming any incentive.

For more information and assistance, please contact:



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