

CALCULATING UNEMPLOYMENT INSURANCE FUND (UIF) CONTRIBUTIONS

The calculation of UIF is not a simple matter of applying 1% to the gross pay of an employee. The calculation of the amount of income that is subject to UIF, is set out in the UIF Act and the Income Tax Act.

Please read these paragraphs and make sure you understand them before calling us to say that Africlock miscalculates the UIF contribution payable.

The Unemployment Insurance Contributions Act, 2002 states the following:

“Subject to subsection (2), the amount of the contribution payable in terms of section 5 –

- a) by an employee, must be one per cent of the remuneration paid or payable to that employee by his or her employer during any month; and
- b) by an employer in respect of any one of its employees, must be equal to one per cent of the REMUNERATION paid or payable by that employer to that employee during any month.

REMUNERATION means "remuneration" as defined in paragraph 1 of the Fourth Schedule to the Income Tax Act, but does not include any amount paid or payable to an employee –

- (a) by way of any pension, superannuation allowance or retiring allowance;
- (b) which constitutes an amount contemplated in paragraphs (a), (cA), (d), (e) or (eA) of the definition of "gross income" in section 1 of the Income Tax Act; or
- (c) **by way of commission**”

Following from this, the Income Tax Act, 1962 (Act, 1962 defines "remuneration" as follows:

“Remuneration" means any amount of income which is paid or is payable to any person by way of any **salary, leave pay, wage, overtime pay, bonus, gratuity, commission, fee, emolument pension, superannuation allowance, retiring allowance or stipend**, whether in cash or otherwise and whether or not in respect of services rendered, including--

- a) any amount referred to in paragraph (a), (c), (cA),(d), (e), (eA) or (f) of the definition of "gross income" in section one of this Act;
- b) any amount required to be included in such person's gross income under paragraph (i) of that definition;
- bA) any allowance or advance, which must be included in the taxable income of that person in terms of section 8(1)(a)(i), other than-
 - i) an allowance in respect of which paragraph (c) applies;
 - ii) an allowance or advance paid or granted to that person in respect of accommodation, meals or other incidental costs while that person is obliged to spend at least one night away from his or her usual place of residence in the Republic”

and so forth - refer to the relevant act for more information

and so, to summarise:

AfriClock calculates UIF on Gross Pay, LESS deductions for short time, PLUS payments for overtime, and does NOT calculate UIF on commissions paid. Please do not continue the argument unless you come armed with specific references to law or some other legal basis.