January 10, 2023

Unemployment Insurance Fund (UIF) Quick Facts

The Unemployment Insurance Fund consists of contributions made by employers and employees and collected by the Commissioner of SARS, namely 1% of the employee's remuneration for UIF purposes, up to the current limit (1% of R17 712 per month as from 1 June 2021). All employees must contribute to UIF, irrespective of residency or citizenship.

When are you deemed an employee?

Any natural person who received remuneration or to whom remuneration accrues in respect of services rendered or to be rendered, is deemed an employee; however, this excludes any independent contractor.

Who is excluded from contributions to the UIF?

- Employees employed for fewer than 24 hours per month;
- Employees in the national and provincial sphere of government who are officers, or employees and their employers;
- The President, Deputy President, a Minister, Deputy Minister, a member of the National Assembly, a permanent delegate to the National Council of Provinces, a Premier, a member of an Executive Council or member of a provincial legislature; and
- Any member of a municipal council, a traditional leader, a member of a provincial House of Traditional Leaders and a member of the Council of Traditional Leaders.

The definition of employee (see ‘when are you deemed an employee’ above) includes the term remuneration. Let us look at the definition of remuneration.

What is remuneration for UIF purposes?

Remuneration, as defined in the Fourth Schedule to the Income Tax Act, excludes the following:

- Pension, superannuation allowance or retiring allowance;
- An amount contemplated in paragraph (a), (cA), (d), (e), or (eA) of the definition of “gross income” in section 1 of the Income Tax Act; and
- Commission.

If an employee has a package that consists of a fixed wage and commission, the commission will not be included in the calculation of the contribution and will also not be “claimable”. Therefore, if you work on a commission-only basis, you will not be able to claim UIF.

Although UIF may be claimed for various reasons such as unemployment, illness, maternity, parental, adoption and commissioning parental benefits, and by the dependants in case of death of an employee, this blog will focus on unemployment.

An employee may only claim UIF for unemployment if they are unemployed for a period longer than 14 days, and if the reason for unemployment is one of the following:

- Termination of employment by the employer (for example, retrenchment) or the ending of a fixed-term contract.
- Dismissal of the employee in terms of section 186 of the Labour Relations Act, 1995 (Act No. 66 of 1995).
  - The employer terminated the contract of employment with or without notice;
  - The employer offered to renew the fixed-term contract of employment on less favourable terms or did not renew it;
  - An employer refused to allow an employee to resume work after maternity leave;
  - An employer who dismissed a number of employees for the same or similar reason, offered to re-employ one or more but not all of them;
  - An employee terminated a contract of employment because of *constructive dismissal;*
  - An employee terminated a contract of employment with or without notice because the new employer, after a transfer in terms of section 197 or section 197A, subjected the employee to conditions or circumstances at work that were substantially less favourable to the employee than those provided by the former employer.
- Insolvency in terms of the Insolvency Act.
- In the case of a domestic worker, the termination of the contributor’s contract of employment due to the death of his/her employer.

An employee will therefore not qualify for UIF he/she resigned or absconded as it was the employee’s own decision to end the contract of employment.

What are your UIF responsibilities as an employer

As an employer, you need to pay a total of 2% of your employees’ remuneration to the Unemployment Insurance Fund. Of this, 1% must be your own contribution, and the other 1% must come out of your staff members’ salaries and is payable before the seventh of every month.

*At **SERR Synergy**, we provide assistance to businesses with matters relating to registration and claims under the Unemployment Insurance Fund and Workmen’s Compensation Fund.* We guide and assist businesses in proactive and supportive ways with regard to the required processes and procedures to ensure compliance with labour legislation and to mitigate the risks to which businesses are exposed in relation to employment issues.

About the Author: Dina Korsten joined SERR Synergy in February 2020 as the HR Manager. She graduated from the University of Pretoria in 2011 with a BCom in Human Resources and in 2018 completed her BCom (Honours) in Industrial and Organisational Psychology.

Sources acknowledged:

Unemployment Insurance Contributions Act No. 4 of 2002 in *Government Gazette* No. 44641 dated 28 May 2021.

Unemployment Insurance Act No.63 of 2001 in *Government Gazette* No. 43202 dated 3 April 2020.

https://za-kb.sage.com/portal/app/portlets/results/viewsolution.jsp?solutionid=220224052845723&hype

https://www.simply.co.za/blog/small-business-owner-heres-all-you-should-know-about-uif