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UIF and Covid-19: How to ensure you meet your obligations as an employee and employer



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By **SALOME HAMMAN**

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The Covid-19 pandemic that emerged in 2020 shook the world into a recession and resulted in massive economic strain due to the nationwide lockdown. The business world was put on hold and companies had no means of income or ways to pay their employees' salaries. The effects led to companies having to shut down and employees losing their jobs.

For employees who qualify, the [Unemployment Insurance Fund](#) (UIF) provides temporary relief for those who lost their jobs during these difficult times. This has highlighted the need for employers to ensure compliance with the necessary registration requirements and make provision for employees to claim unemployment insurance and other related benefits.

What does UIF mean and who can claim from the Fund?

The UIF aims to provide short-term relief to employees if they become unemployed or cannot work due to certain factors. The Fund is regulated by Unemployment Insurance Act No 63 of 2001 (the UI Act) and the [Unemployment Insurance Contributions Act No. 4 of 2002](#) (the UIC Act).

All employers and employees are obligated to contribute 1% of employees' monthly salaries to the Fund. Adequately registering an employee and making the monthly contributions will qualify the employee for unemployment insurance and other related benefits.

How does it work?

All employers registered at [SARS](#) for Employers Tax will be responsible for paying UIF payments for their employees. The amount payable by both the employer and employee be 1% each of the total remuneration that an employee is paid every month. Therefore, the employer will pay 2% of the monthly salary to the Fund within the prescribed period. From 1 June 2021, as Gazetted by the Minister of Finance, the contribution ceiling was increased from R14 872.00 per month to R17 712.00 per month.

What relief does the Fund provide for the Covid-19 pandemic?

In 2018, the Fund introduced an option to employers and employees called the 'Reduced working time' option. This option is available to workers who have had a loss of income due to fewer working hours and their income is less than *the benefit level that the worker would have received if he/she had become unemployed*. This option is available to employees whose hours were reduced as well as temporary layoffs without pay. The onus lies on the employer to claim for the benefit.

Additionally, the Fund instituted the [Covid-19 TERS](#) for workers who could not work, had reduced or limited work hours and/or temporary salary reductions due to the pandemic. The employer must apply for this assistance via the TERS online portal and the application is subject to the verification process. Once it is verified that the employees are entitled to Covid-19 TERS benefits, the benefits will be processed and paid to employees. Employees whose working times have been reduced (remuneration), will receive a percentage between 38% for high earners and 60% for low earners every month subject to enough credits.

The onus lies on the employer to claim the benefit. Unfortunately, there is plenty of fraudulent behaviour by employers who refrain from paying these benefits to their employees. For this reason, the Minister of Employment and Labour signed the direction that the UIF will be making payments directly into the bank accounts of employees from 19 July 2021. This will apply to all sectors affected between 16 March 2021 to 25 July 2021.

Conclusion

The responsibility ultimately falls on the employer to ensure that the employee's UIF money is paid each month. Therefore, they must be diligent and cautious and keep informed of the possible benefits for their employees.

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