

UNEMPLOYMENT INSURANCE CONTRIBUTIONS (UIF) AND DISABILITY PAYMENTS

THE UNEMPLOYMENT INSURANCE ACT

The Unemployment Insurance Contributions Act ("the Act") places an obligation on employers to deduct a certain percentage from the remuneration of employees for purposes of unemployment insurance contributions.

The Act defines "remuneration" in the same way that it is defined in the Income Tax Act, but for purposes of UIF contributions it excludes from remuneration, any amount that an employee receives in respect of proceeds from a policy of insurance where the person is or was an employee of the policyholder.

A question which arises from time to time is whether UIF contributions must be deducted by an employer in respect of payments that are made to a disabled employee.

THE POLICYHOLDER (EMPLOYER)

A group disability policy claim made by an employer for an employee does not meet the definition of remuneration. The employer will not therefore need to take the disability payment into account when determining UIF contribution deductions.

THE INSURER

In the case where an insurer is obligated to make a disability payment directly to a claimant instead of to a policyholder, UIF contributions will still not have to be deducted as there is no employer / employee relationship between an insurer and the claimant.

THE EMPLOYEE

If an employee is receiving disability benefits (whether this is paid via the employer or directly by the insurer), they can apply for an illness benefit from the Unemployment Insurance Fund. This application must be submitted within 6 months of the last UIF contribution - the latter will usually be the last day of salary from the employer. The benefit is also subject to the terms and conditions of the Unemployment Insurance Fund.



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