

# The dual advantages of investing in learnerships

**As** part of efforts to increase skills and reduce unemployment in the country, government has amended the Income Tax Act, unbundling previously complex learnership rules for employers.

Ron Warren, executive chairman of payroll software company NuQ highlights that the Taxation Laws Amendment Act has paved the way for an increase in the uptake of learnerships. "Convoluting rules have been replaced by a new section which came into effect in respect of any year of assessment ending on or after 1 January 2010.

"In terms of the Skills Development Act, employers who participate in learnership schemes are entitled to refunds of all or a portion of the skills development levies that they pay to the SETA to which they belong," says Warren.

## Tax deductible incentive

Learnerships were introduced in 2003 as an incentive for business owners to impart skills and knowledge to young candidates. As further encouragement, employers are now entitled to learnership allowances that they can deduct from their taxable income. Warren describes the learnership expenses as "phantom expenses".

Employers can claim an annual learnership commencement allowance of R30 000, or R50 000 if the candidate is disabled. When the learnership term of 12 months comes to an end and is renewed for a further 12 months, the employer qualifies for another R30 000.

When a learnership is successfully completed, an allowance is granted to the employer, dependent on the length of the learnership. Warren says, "If the learnership agreement was for a period less than 24 full months, the allowance is R30 000. But, if the learnership agreement was for a period of 24 full months or more, the allowance is R30 000 multiplied by the number of consecutive 12-month periods of the learnership agreement."

## Transferring learnership allowances

As is common in many businesses, employees as well as apprentices do resign. In the event of a resignation, the amended act specifically states that the new employer is able to take over the learnership allowance. The commencement allowance will then be split between the old and new employer based on the number of full months worked at each company.

The completion allowance is, however, paid to the company at which the candidate completes their learnership period. Warren explains that, "If a person changes employers during

the course of the learnership, only the final employer will be entitled to the full completion allowance. This includes the period of learnership with the first employer, as the original employer has no control over the learner's successful completion."

When it comes to the end of the financial year the allowances are simply claimable in respect of both learnerships registered in accordance with the Skills Development Act, and apprenticeship contracts under the Manpower Training Act. Both learnership and apprentice agreements need to have been entered into before October 2011. ☺

