

Treasury aims to extend tax incentives

The Treasury has proposed a two-year extension of the employment tax incentive and a five-year extension of the learnership tax incentive, both of which, it says, have yielded positive results.



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The proposals are contained in the latest draft of the Taxation Laws Amendment Bill, released for public comment on Sunday, 25 September 2016.

The employment tax incentive was due to expire at the end of December and the learnership tax incentive at the end of September. The Treasury has proposed that they be extended to end February 2019 and end March 2022, respectively.

Take-up of the employment tax incentive, aimed at encouraging youth employment, has been strong, with more than 32,000 employers claiming the incentive for 686,402 employees in the 2014-15 tax year. The total value of claims between 1 January 2014, when the incentive was introduced, and 31 March 2016 was R6bn, substantially exceeding Treasury projections.

"Preliminary research suggests that the incentive has had a positive impact on the number of net new jobs created," the Treasury said. However, researchers have expressed doubt about this success, with early research by the University of

Cape Town's Southern Africa Labour and Development Research Unit in 2015 questioning whether the incentive had created any new jobs.

Labour federation Cosatu is strongly opposed to the incentive, which subsidises the wages of any new employee between the ages of 18 and 29 who earns R6,000 a month or less. The draft bill proposed by the Treasury will introduce a monetary cap of R20m on the value of employment tax incentive claims per employer per annum in order, the Treasury said, "to more effectively target the incentive towards those employers that are creating new jobs, and to also mitigate the total tax revenues forgone".

The learnership tax incentive has also been found to provide positive support to training and skills development. It supported about 447,721 learnerships between 2009 and 2014 and currently benefits 19,682 registered apprenticeship learning contracts. It cost the fiscus R6.3bn for the 2006-14 period and R966m in the 2014 tax year.

The draft bill proposes to adjust the value of the deduction based on the qualification level of the learner when entering into a learnership agreement, to target more technical skills.

Source: *Business Day* via I-Net Bridge

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