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Learnership Tax Incentive Review

Economic Tax Analysis Chief Directorate

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1. Executive Summary

Ensuring our citizens are employable

With unemployment levels just above 26 per cent, South Africa's priority is ensuring its citizens are employable.¹ This requires improving skills' levels and ensuring that skills are relevant for current and future job opportunities. Improving employability and employment levels will enable more people to participate in the labour market, thus empowering them financially. Empowering our citizens to participate in the labour market will enable a shift away from dependence on social grants or transfers from government.

At a recent G20 Tax Symposium, a key theme was *Tax policies for innovation-driven and inclusive growth*. Advancements in technology and innovation are critical for driving productivity and growth, but incentivising innovation and research and development is only likely to be successful if coupled with a certain level of human capital.

There is a potential tension between spurring innovation and achieving inclusivity – i.e. ensuring that all citizens are suitably skilled to participate in the economy and benefit from economic growth. Technological improvements can have consequences for the distribution of (i) income, and (ii) opportunities to participate in appropriate education / training programmes and the labour market. A new OECD (2016) study, *The Productivity-Inclusiveness Nexus*, considers this trade-off in detail.² With technological advances bringing about many changes in the work place, there is a lot of discussion globally on the issue of many jobs being made redundant.

Technological advances can lead to a shifting of income from workers to owners of capital or intellectual property (as *Capital* by Thomas Piketty shows), but also have the potential to create a mismatch between the skills taught in higher education facilities and those needed for future jobs. Martin Wolf wrote two relevant articles, where one subtitle is: *"The prospect of far better lives depends on how the gains are produced and distributed"*.³ This does not mean there should be a global shut down in technological improvements – there is no question that we need to continue innovating. Innovation has changed lives on the African continent. People can now send money to each other using their cell phones and advancements in solar power have enabled many households to switch on a light for the first time, rather than relying on candles / paraffin.

Of crucial importance is how societies adapt to ensure that the benefits of innovation are inclusive. This is likely to require policies that help people to adapt to the changing economy. "Up-skilling" people with required skills is likely to lead to complementarity in technological advances, growth and employment so that the benefits of growth are more evenly shared. Improving the prospects of employability requires strategic thinking about reskilling people to ensure that they are employable and that their skills set matches requirements of emerging and future job opportunities.

Private sector has an important role to play. A Financial Times special report, entitled *The Work Revolution*, states: *"In a call to action, the World Economic Forum says many big businesses have been slow to act decisively to address the challenges ahead. Only 53 per cent of the human resources*

¹ The official unemployment rate is even higher for those aged 15 to 34 (37.5 per cent), and the official definition does not include those who are discouraged from seeking work (Stats SA Quarterly Labour Force Survey, July 2016).

² Available: http://www.keepeek.com/Digital-Asset-Management/oced/economics/the-productivity-inclusiveness-nexus_9789264258303-en#page1

³ Wolf, M. (2014), *If robots divide us, they will conquer*. [4 Feb 2014] Available: <https://next.ft.com/content/e1046e2e-8aae-11e3-9465-00144feab7de>;

Wolf, M (2014), *Enslave the robots and free the poor*. [11 Feb 2014] Available: <https://next.ft.com/content/dfe218d6-9038-11e3-a776-00144feab7de>

directors it surveyed at leading global employers were reasonably or highly confident about the adequacy of their future workforce strategy.”

How can government provide an enabling environment for the private sector to assist in important goals like improving the employability of our citizens? This requires a holistic approach to ensure that government-wide policies are complimentary rather than contradictory. **Tax policy is one instrument the government can use to influence behaviour, but it can only achieve its objectives if accompanied by effective policy action in other areas too**, i.e. skills (education), health (influences ability to learn and productivity), labour markets, competition, product market regulation, innovation, and financial regulation.

How is tax policy currently contributing?

The learnership tax incentive is a programme that supports skills intensity through the tax system. South Africa’s grant funding and tax offerings lean heavily towards capital investment. Formal training of workers improves the skills set / productivity of workers, which in turn improve wages, as well as prospects for remaining in employment. A larger pool of skilled workers also increases competition for skilled jobs, which is a powerful inhibitor of income inequality in the long run.

To encourage skills development and job creation, the learnership tax incentive provides employers with an additional tax deduction over and above the normal remuneration that can be deducted. The additional deduction is intended to encourage vocational training through formal learnership contracts, to encourage accredited workplace training by employers. To claim the allowance, the employer and learner must enter into a formal learnership contract.

Training contracts that qualify for the deduction are learnerships registered with a sector education and training authority (SETA), or contracts of apprenticeship registered with the Department of Labour. The value of the incentive is R30 000 on commencement of the agreement (plus R30 000 for every completed year thereafter), and R30 000 on completion⁴. These values increase by R20 00 if the learner is a person with a disability.

The learnership tax incentive cost the fiscus R6.3 billion for the 2006-2014 period. The tax expenditure amounted to just less than R1 billion (R966 million) in the 2014 tax year.

Is the design of the learnership incentive conducive to achieving its objectives?

The incentive will run to an end on 1 October 2016, and a review has been undertaken to determine whether it should continue, and if so, in what form. The review aims to understand whether the incentive is:

- Developing skills, reducing the cost of training for employers, and assisting with job creation?
- Correctly targeted? Is it encouraging training in appropriate skills that match the work-place requirements potential employers are looking for, as well as skills that will be important for jobs in the future South African economy? (Ensuring that all our citizens participate in and benefit from developments in the economy is key)

The following avenues have been used to inform the review:

- A literature review, including studies on learnerships in South Africa, as well as international experience with similar programmes;

⁴ The completion allowance is R30 000 if the duration of the registered learnership agreement is less than 24 months. For registered learnership agreements that equal or exceed 24 months, the completion allowance is R30 000 multiplied by the number of consecutive 12 month periods within the duration of the agreement.

- National Treasury conducted a **joint electronic survey on the employment tax incentive (ETI) and learnership tax incentive**, and received just over 1000 responses;
- **Stakeholder submissions** received were taken into account; and
- **Tax administrative data** has been analysed.

The feedback from the online survey has been generally positive, but there are some issues that have emerged, which require attention. Below are some of the high level issues that have emerged.

- Survey respondents provided **positive feedback** in that the incentive:
 - seems to deliver on its objectives in terms of training, skills development, and employment;
 - makes it more attractive and cost effective to hire and train young (inexperienced) people;
 - is viewed as an instrument to grow the talent pool and increase their labour force.
- However, there appears to be a **disconnect between the skills developed and business needs**. Some respondents highlighted the need to ensure relevant skills are acquired after completing a learnership (not all the learners who have completed their programmes are skilled enough to fulfil the roles they are required to right away). This raises the question as to which of the current eligible training programmes are not well-aligned to business needs.
- The respondents that identified a positive experience are likely to be from sectors where the administration function operates smoothly. A key stumbling block that has been identified in both the literature review and the survey is **administration**. Even if well-designed, a tax incentive can only achieve its objectives if it can be efficiently administered. The SETAs are currently a key partner in the administration of the incentive.
 - Tax administration data shows many claims in some sectors, while there is very little take up in other sectors. This could be the result of a few issues:
 - The administration problem identified above (some SETAs are more functional than others)
 - Awareness of the incentive came up as a potential issue
 - The design of the incentive may be more suited to some sectors than others
 - The training available for some sectors may not be aligned with work-place needs
- Tax administration data only allows analysis on an employer level as the form which asks for information in respect of each learnership contract entered into (and which would provide rich information on an individual level) is currently not a compulsory requirement by SARS.

The way forward – ensuring the design of the incentive translates into appropriate skills being learnt in all sectors

Given the critical need for skills in our economy that match the needs of employers, the learnership incentive can be an effective tool in achieving this objective if administered efficiently. However, to ensure that the incentive encourages the development of skills that are demanded in the work place and are of a suitable standard so as to improve the productivity of learners (and thus firms), it is necessary to consider changes to the existing design.

This report starts by looking at the broader skills strategy and how the learnership tax incentive fits into that strategy. Important findings from local studies on the learnership, as well as relevant highlights from international research in this area, are discussed. Following on from this, the descriptive statistics and survey responses are discussed, before the key themes emerging from the review are presented.

Finally, with the aim of (1) addressing the administrative stumbling block, and (2) improving targeting – both in terms of learner eligibility and ensuring the right skills outcomes (training matches business needs) – recommendations for reform are presented.

The **policy recommendations** are briefly outlined as follows:

- 1) Given the outcome of the review process, there is sufficient evidence to support the **continuation of the learnership tax incentive beyond its current sunset date** of 1 October 2016.
- 2) **Extension** – learnerships can be registered with SAQA accredited institutions, other than a SETA, that provide training courses which lead to qualifications that are SAQA accredited.
- 3) **Targeting** – more focussed targeting of the learnership tax incentive by prioritising agreements with learners who have basic- to intermediate-skills levels and qualifications.
- 4) **Data management** – make SARS IT180 form compulsory for employers wanting to claim the learnership tax incentive, and for SARS to share this data with National Treasury.

2. Experience with skills-based training programmes

South Africa's skills policy is intricately linked to its history, the impact of Apartheid, and the legacy this presents in the labour market. Attempting to address the legacy of inequality in education, vocational and occupational certification and capability building via learnership and apprenticeship programmes were placed firmly at the core of new inclusive skills development policies. In this context, one of the key challenges to ensuring the global competitiveness of our firms was to address the skills shortages in the economy.

Vocational education and training (VET) programmes like learnerships were implemented to mitigate these challenges as they are designed to link people's competencies with employers' needs. However, concerns around the skills crisis, especially the mismatch of skills based on industry demands and the type of skills available, have intensified. This has led to the establishment of institutional mechanisms to promote linkages between education and the productive sector and to promote firm-based training. The Department of Higher Education and Training (DHET) has led an initiative called the Labour Market Intelligence Partnership (LMIP), which drives an intense process of "skills planning" requiring an understanding of the interaction between the demand and supply of skills. This would enable government to make more informed decisions about where and how to invest its education and training resources.

As part of South Africa's National Skills Development Strategy (NSDS), learnerships were established as an enabling mechanism targeted at addressing skills shortages and afford opportunities to workers to engage in learning, which would translate into a recognised qualification. Also, to respond to labour market challenges by providing a recognised occupational qualification achieved through structured institutional learning that provides "scarce skills" to breach the gap between demand and supply of skills. This, however, is still a challenge in the learnership programme as findings from a 2012 HRSC study suggests that there is not a strong alignment between SETAs, education and training providers and firms in determining and regularly updating curricula frameworks and assessment standards such that they match industry demand, and particularly, so that they keep up with shifting global technological developments.

The international experience with vocational education could hold important lessons in terms of South Africa's NSDS. While in most countries the provision of vocational education is predominantly government responsibility via schools and training centres, private training providers have grown in importance. Studies done in countries like Gambia, Ghana, Senegal, Madagascar, Zambia, Tanzania, Mali, and Malawi show that informal apprenticeships are provided to approximately 50 to 90 per cent of young people (Costanza Biavaschi et al, 2012). The 2012 HSRC study on the South African learnership finds that learnerships do not seem to target those with the lowest skills levels but favour those with higher levels of skills and education. This might be because firms want the types of skills which require at least secondary school education or it could be that those with matric have other characteristics (such as motivation) which are also associated with applying for a learnership (UNU-Wider, 2014).

VET programmes on the African continent have varied significantly, from the Jua Kali voucher programme in Kenya, to many countries trying to account for regional and language differences when designing programmes. In some European examples, Germany and the UK had some success with their programmes due to recurrent renewal of policy and acceding to requests for flexibility in order to remain in line with the changing nature of work. In order to maintain a competitive and skilled labour force, these VET systems had to continually adjust curricula and policies.

South Africa's learnership tax incentive attempts to encourage employers to participate in learnerships by allowing additional deductions for expenditure on learnerships for employees. In terms of section 12H of the Income Tax Act, a learnership agreement must be signed between a learner, an employer and an accredited training provider for a specified nature and duration which must lead to a qualification that will be registered by the South African Qualifications Authority (SAQA). Learnerships are administered by the SETAs, whose operations are funded by a levy of 1 per cent of all salaries for employers. When the learnership programme was introduced in South Africa, a distinction was made between an agreement signed with an unemployed person, a person already working within the organisation and a person working in a different organisation, but who changes employment because of the learnership.

As a start, the learner, employer (or group of employers) and an accredited training provider must enter into a registered learnership agreement and agree to its terms. Training contracts that qualify for the deduction are learnerships registered with a SETA or / and contracts of apprenticeship registered with the Department of Labour. Once a learnership contract has been entered into, the employer may claim an additional deduction comprising of a commencement allowance (deductible upon entering into a learnership contract with an employee) and a completion allowance (deductible at the end of the learnership contract). For example, a recurring annual allowance of R30 000 and a completion allowance claimable at the end of the learnership of R30 000. Further, the allowance differs if the learnership agreement is entered into with a person with disability, in which case the allowance is increased to R50 000.

In the case of learnerships that exceed 24 months, an allowance is claimed for every completed year and the incentive also caters for learnerships of less than 12 full months where the benefit is calculated at a *pro-rata* (regardless of the reason that the learnership falls short of the 12 month period). If a learnership falls over two years of assessment, the annual allowance is allocated *pro-rata* between both years based on the calendar months applicable to each year by multiplying the annual allowance by the total calendar months of the learnership over 12.

According to the 2010 HSRC study, a vast majority of high level skills qualifications provided through the learnership pathway system were concentrated in the financial sector. Moreover, they find that the learnership tax incentive seems to be attracting those with mid-level skills and those with high-level skills for the most part.

Badroodien & McGrath (2005); Grawitzky (2006) and Kraak (2008) note a high degree of SETA compliance to meet performance targets and numbers, however, without sufficient consideration for the quality of the training and skills developed, or for impact on the employability of participants. This reemphasises the point of a misalignment between SETAs, education and training providers and firms concerning the demand and supply of skills in the market.

There is evidence from the 2010 HSRC study that targets do not match well with firm demands because of the weak alignment between major stakeholders in making sure the skills developed match industry demand. A major challenge identified in the study is the weak capacity in the SETAs to understand the drivers of sectoral skills demand to inform their planning. The way SETA programmes are rolled out in a fairly arbitrary manner to meet numerical performance targets contributes to the limited geographical spread of learnership and apprenticeship opportunities. Outcomes from the research initiated by institutions such as the LMIP should provide policy makers with better data and analysis to address these challenges in future, and facilitate a much stronger alignment between key stakeholders in meeting industry demand for skilled workers.

3. Learnership tax incentive - Tax statistics

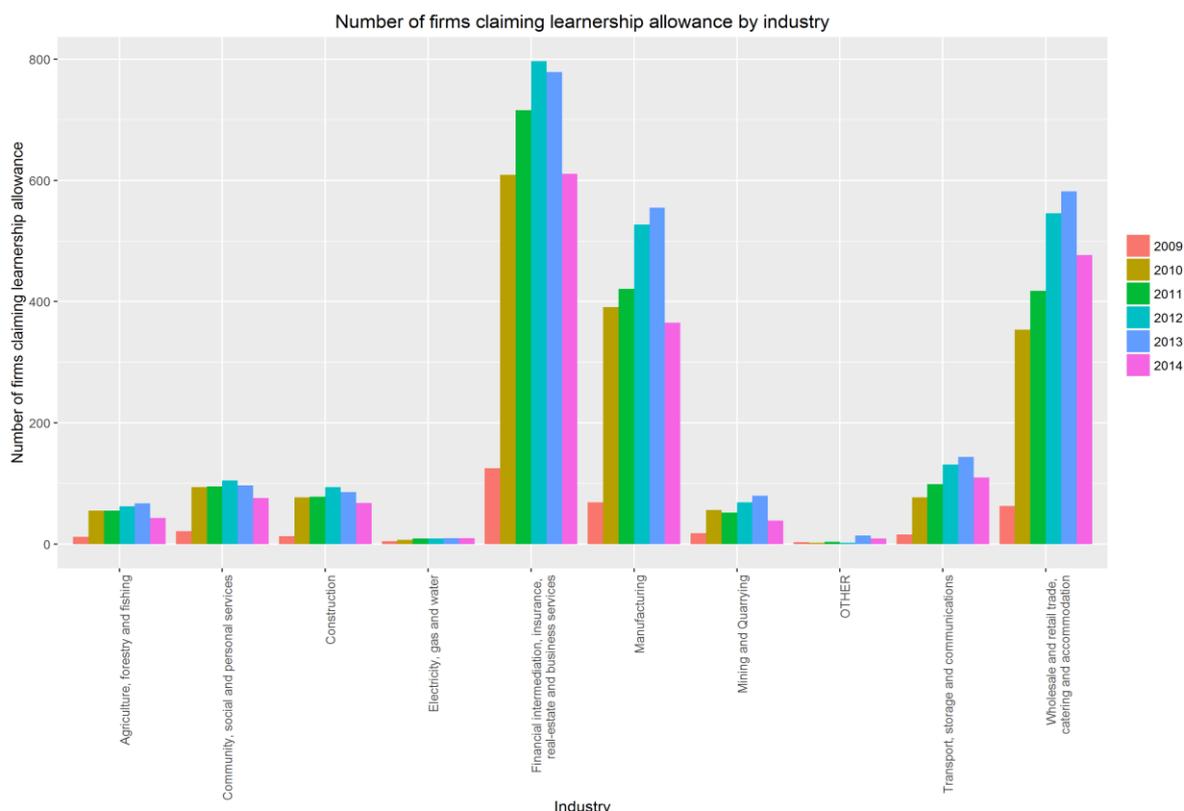
The data for this part of the report was extracted from the IT14 and ITR14 forms that were received by SARS from companies between the years 2009 and 2014. The IT14 form contains information up until the 2013 tax year, after which the newer ITR14 form was introduced. Information on the learnership allowance and the types of companies claiming the allowance was extracted separately from both datasets, and combined to provide an overall time series view of the progress of the allowance.

Counts of firms claiming the tax incentive allowance are represented in the data below. These may not represent the total number of learnership agreements currently in effect or completed, as companies report claims for the aggregate amount of learnerships within the organisation. More information on the actual number of learnership agreements in place and completed in a particular year will have to be confirmed using data from the SETAs, as all registered learnerships are supposed to be registered with these institutions.

Industry classification was based on the definitions used by SARS in the annual Tax Statistics publications. SARS data is not currently fully aligned with the Standard Industrial Classification (SIC) system that Statistics South Africa (StatsSA) uses. Information about the sector (industry) in which taxpayers operate is drawn from taxpayers’ returns, and is determined according to their main source of income. This is one of the main differences between the SARS and StatsSA data, whose industry classification is based on the International SIC codes developed by the United Nations Statistics Division.

3.1 Number of firms claiming learnership (allowances) tax incentive

Figure 1: Sectoral distribution of learnership tax incentive claims



As illustrated in Figure 1 and Table 1, between 2009 and 2014, most of the firms claiming the learnership tax incentive were in the finance sector, with the wholesale & retail and manufacturing sectors in the second and third positions respectively. Over the last 5 years, an average of just over 700 finance sector firms per year claimed the incentive.

Table 1: Number of claims for learnerships registered in current year by sector

Sector	2009	2010	2011	2012	2013	2014	Total
Manufacturing	69	402	436	542	571	379	2 399
Mining and Quarrying	16	55	51	67	71	26	286
Transport, storage and communications	16	77	99	131	142	110	575
Wholesale and retail trade, catering and accommodation	63	343	403	530	565	462	2 366
Financial intermediation, insurance, real-estate and business services	125	610	716	798	781	613	3 643
Electricity, gas and water	5	7	9	9	10	10	50
Construction	13	77	78	94	86	68	416
Community, social and personal services	21	93	95	105	96	75	485
OTHER	5	3	5	4	25	22	64
Agriculture	12	55	55	62	67	43	294
Total	345	1 722	1 947	2 342	2 414	1 808	10 578

The factors driving the sector take up of the learnership tax incentive are important in evaluating its effectiveness. Why are learnerships more prevalent in some sub-sectors compared to others? Is the effectiveness of SETAs a factor?

From a provincial perspective, the number of firms claiming for learnerships registered in the current year seems to be concentrated in the larger economic centres - Gauteng, the Western Cape and KwaZulu-Natal (KZN). Gauteng has by far the most claims - more than double that of the next best province, the Western Cape, in terms of current year registrations and completed learnerships. This trend was highlighted in the 2012 HSRC study on learnerships, and is reflected in the current tax data.

Table 2: Number of firms claiming learnership tax incentive by province (2009 – 2014)

	No. of firms claiming for:	
	Learnerships registered/ current year	Learnerships completed
GAUTENG	4 552	1 028
WESTERN CAPE	1 912	343
KWAZULU NATAL	1 595	346
EASTERN CAPE	825	138
FREE STATE	402	42
MPUMALANGA	388	73
NORTH WEST	260	58
N/A	233	-
LIMPOPO	203	32
NORTHERN CAPE	163	23
INTERNATIONAL	45	11
Total	10 578	2 094

3.2 Value of learnership claims

Figures 2 and 3 below present the total value of learnership tax incentive claims for the current and completed years. The sectoral profile for claims values is largely similar to that of the count data as the value of the allowance does not fluctuate dramatically, ranging between R30 000 and R50 000, depending on the type of employee and the duration of the learnership agreement. As illustrated in Table 3, the finance sector has the largest sectoral share of allowances/incentives claimed. Between 2009 and 2014, the total value of claims attributable to the sector was R4.9 billion, accounting for 36.3 per cent of total claims (R13.4 billion). Wholesale and retail, and manufacturing are the other big claiming sectors, together accounting for 35.5 per cent of total claims.

Table 3: Value of claims for learnerships registered in current year by sector

Sector	2009	2010	2011	2012	2013	2014	Total
Manufacturing	59.4	379.4	429.3	630.5	516.8	323.1	2 338.4
Mining and Quarrying	28.2	198.5	113.1	176.8	154.8	40.2	711.7
Transport, storage and communications	6.5	117.9	122.4	184.6	156.4	130.7	718.6
Wholesale and retail trade, catering and accommodation	31.9	434.1	441.9	663.3	543.5	319.5	2 434.3
Financial intermediation, insurance, real-estate and business services	71.6	911.2	1 131.0	1 209.6	959.5	594.0	4 877.1
Electricity, gas and water	8.1	6.2	32.9	269.5	3.3	281.0	600.9
Construction	5.3	54.6	99.4	89.0	79.4	47.4	375.1
Community, social and personal services	31.3	240.1	258.7	218.6	214.9	110.9	1 074.6
OTHER	4.4	3.3	3.5	1.9	16.2	23.9	53.1
Agriculture	8.2	43.9	57.2	45.8	63.5	29.3	247.9
Total (R mill)	255.0	2 389.1	2 689.4	3 489.8	2 708.3	1 900.1	13 431.6

Similar to the count data, the total claims value per province is also skewed towards Gauteng to a large extent, and also the Western Cape and KZN.

Figure 2: Total value of claims by industry

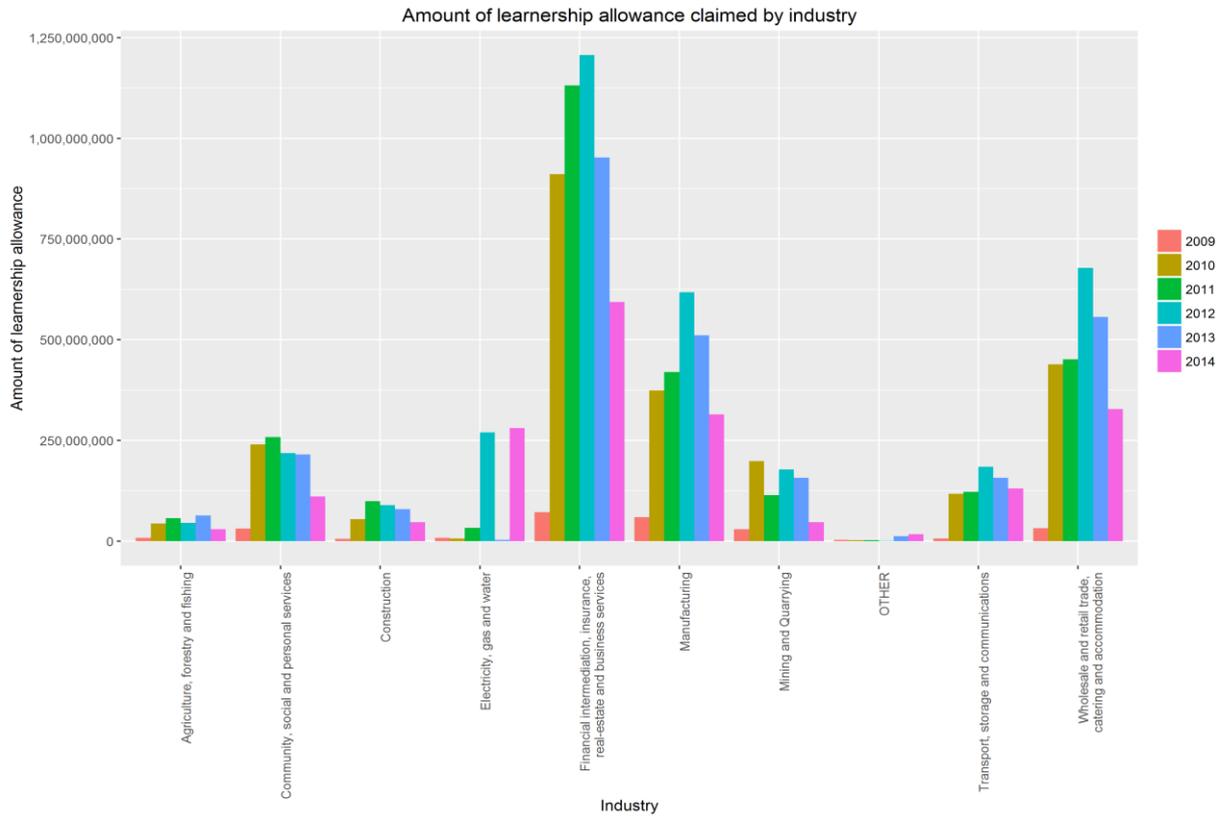
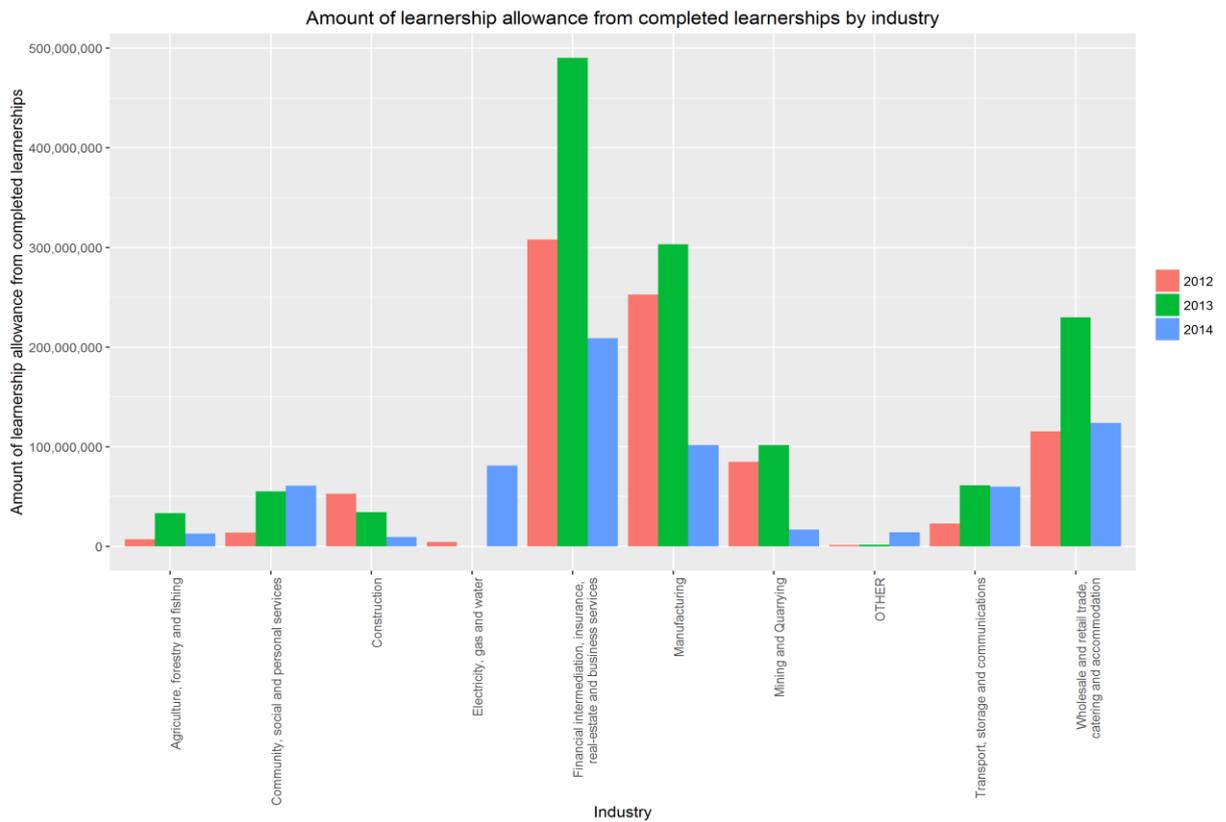


Figure 3: Value of completed learnership claims by industry



3.3 Characteristics of claiming firms

Another element in analysing the learnership statistics is to have some idea of the dynamics of claiming firms. As a proxy for firm size, firms in the panel were divided according to gross income into various gross income brackets (Figures 4 and 5). Figure 4 shows that larger firms in the manufacturing and wholesale and retail sectors (gross income of R50 million and above) had the most learnership tax incentive claims during the 2013 and 2014 tax years.

It is noticeable from Figure 4 that most of the claims in the manufacturing and wholesale sectors took place in the largest firms, whereas for the finance sector, the claims are distributed much more evenly across various firm sizes. It would be important to determine why certain firms in certain sectors access the incentive compared to others, and how variations within sectors themselves play a role. Factors that will be important in possible incentive design changes may relate to issues of firm size and policy prioritisation of certain sectors, or it may be that challenges exist with regard to the administration of learnership agreements.

Figure 4: Sectoral distribution of learnership claims by firm size

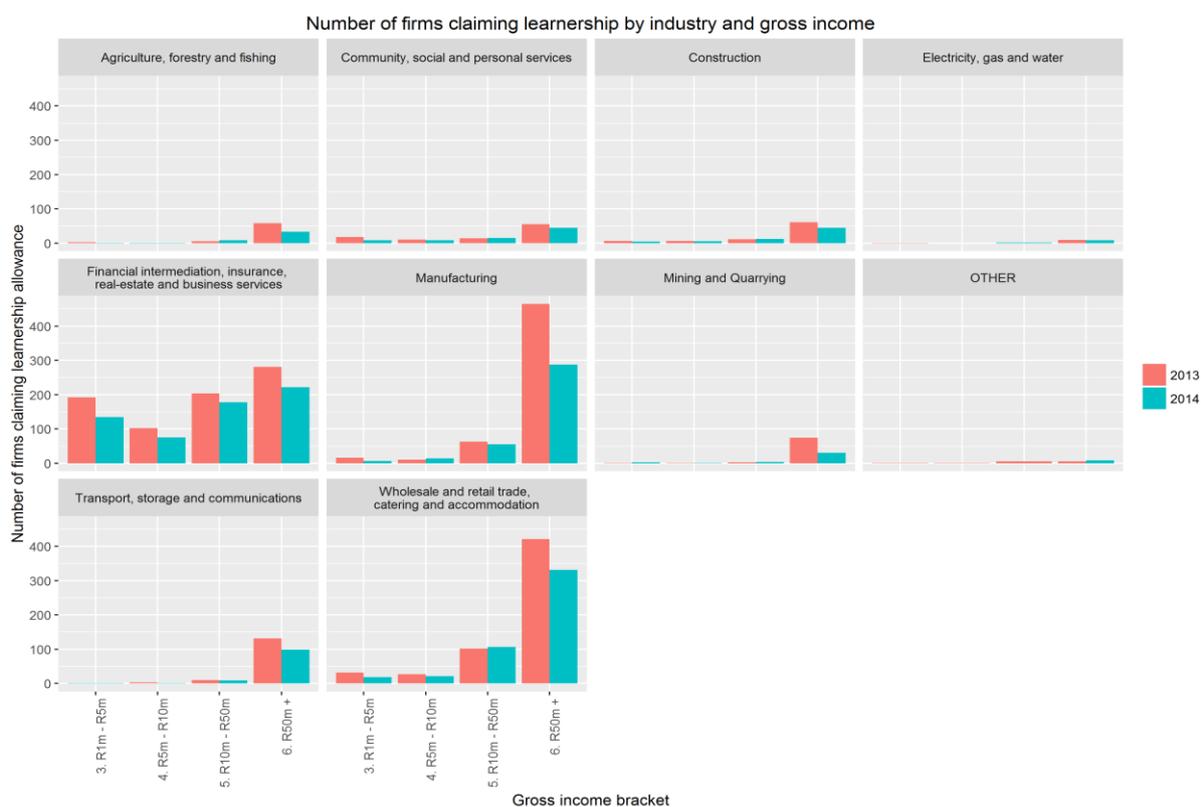
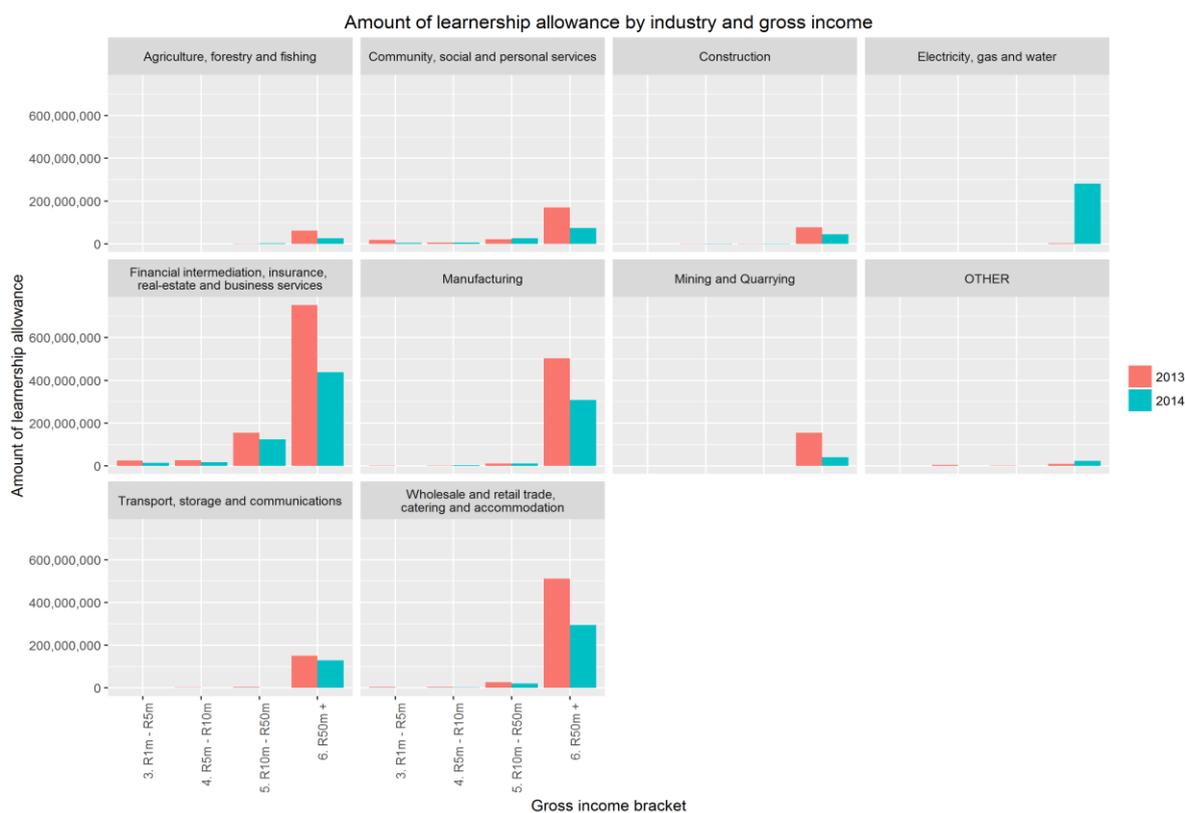


Figure 5: Value of learnership claims by firm size



3.3 Individuals benefiting from the learnership tax incentive

Since the income tax legislation requires learnerships to be registered with the SETAs to be eligible for the tax incentive, the SETA data should provide an indication of the number of registered learnerships. However, it does not provide an indication of the overall take up of the tax incentive, as not all learnerships are linked to the tax incentive – there may be firms that have not claimed the tax incentive for various reasons.

Table 4: People entering and completing learnerships (SETA data)

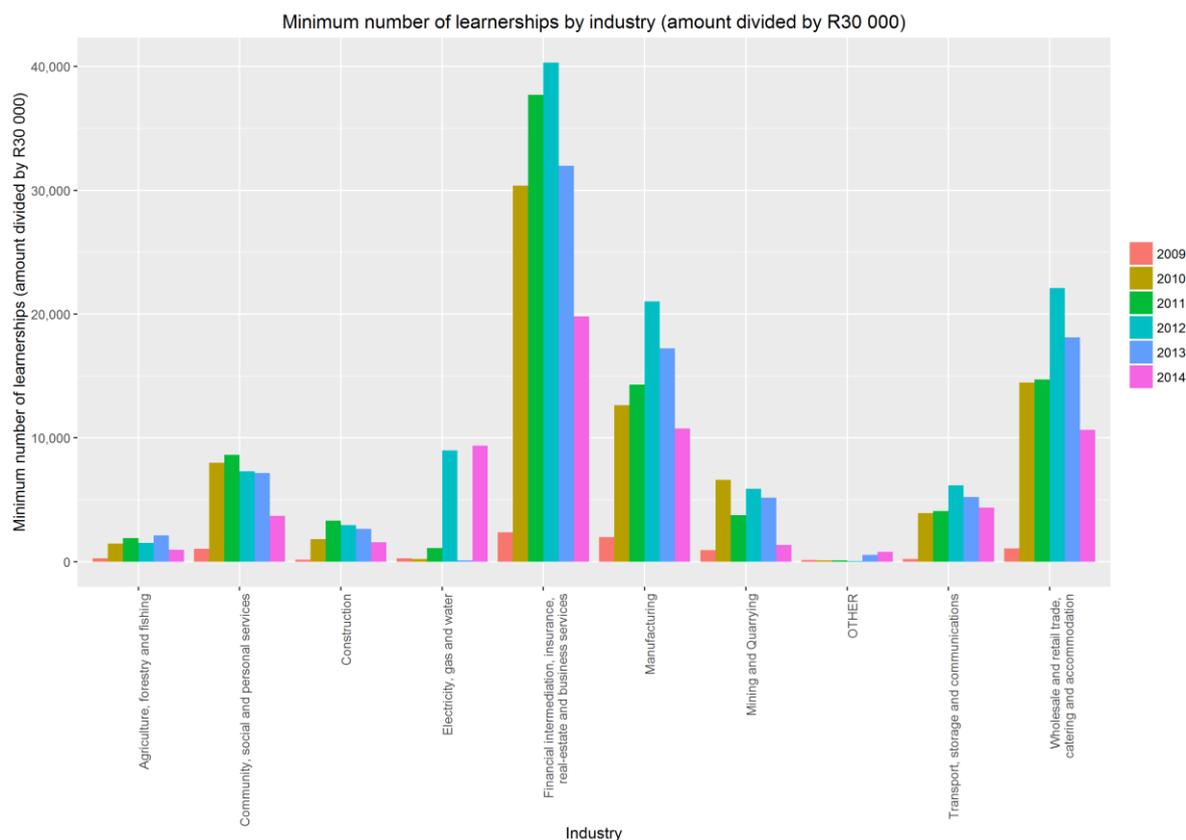
Indicator	Actuals			
	2012/13	2013/14	2014/15	2015/16
Number of unemployed persons entering learnerships	29,601	46,012	48,888	41,420
Number of unemployed persons completing learnerships	21,983	25,372	22,206	17,996
Number of workers entering learnerships	20,108	30,511	29,100	13,905
Number of workers completing learnerships	14,333	14,500	17,995	8,603
Total persons entering learnerships	49,709	76,523	77,988	55,325
Total persons completing learnerships	36,316	39,872	40,201	26,599

Source: DHET

Table 4 shows SETA data for 2012/13 to 2015/16, reflecting the actual number of people in learnerships. In addition, Figure 6 below presents an estimation of the number of learnership agreements / learners that the tax incentive was claimed in respect of based on the SARS administrative data. The value of claims from firms claiming the incentive in respect of learnerships registered in the current year are divided by R30 000, which represents the value of the annual allowance for learners without a disability⁵. The data in Figure 6 thus represents the minimum number of learnership agreements in a given year. For the 2014 tax year, the total deduction for the tax incentive in respect of learnerships registered in the current year amounted to R1.9 billion (see Table 5). This equates to a total of approximately 63 333 learnership agreements in 2014.

Data that relate to the number of learners for which a company claims the learnership incentive in respect of; level of qualification that learners enter the programme with; and the duration of the learnership agreement are required. Some of this information is included on the IT180 form that firms should complete when claiming the learnership tax incentive. The completion of the IT180 form is however not compulsory, so the required information above has not been consistently collected by SARS. Further collaboration with SARS to make the completion of this form compulsory when claiming the learnership tax incentive will greatly improve the availability of data to enable better evaluation of the incentive.

Figure 6: Estimate of number of learnership agreements (using SARS data)



⁵ The current legislation allows a R50 000 deduction where a learnership agreement is entered into with a person who has a disability.

3.4 Learnership incentive tax expenditures

Table 5 below provides an indication of the revenue foregone in providing the learnership tax incentive over time. The total value of deductions for currently registered and completed learnerships amounted to R13.4 and R3.5 billion respectively between 2009 and 2014. This amounts to a total tax expenditure of R4.7 billion over a 6-year period for the incentive. For the 2014 tax year, the tax expenditure amounted to R724.9 million. The relative cost as well as the effectiveness of incentives such as the learnership tax incentive and the employment tax incentive are important considerations to take into account when deciding on how the incentives may or may not continue beyond their sunset clauses (set to expire in October and December 2016 respectively).

Table 5: Historical tax expenditures

	Learnerships registered / current year		Learnerships completed		Total Learnership Claims	
	Allowance / Deduction	Tax Expenditure	Allowance / Deduction	Tax Expenditure	Allowance / Deduction	Tax Expenditure
2009	255.0	71.4	0.7	0.2	255.7	71.6
2010	2,389.1	668.9	26.6	7.5	2,415.7	676.4
2011	2,689.4	753.0	126.8	35.5	2,816.2	788.5
2012	3,489.8	977.1	862.9	241.6	4,352.8	1,218.8
2013	2,708.3	758.3	1,765.1	494.2	4,473.4	1,252.5
2014	1,900.1	532.0	688.9	192.9	2,589.0	724.9
Total (R mil)	13,431.6	3,760.9	3,471.1	971.9	16,902.7	4,732.8

Table 6 below provides a summary of the learnership tax incentive statistics based on the SARS administrative data.

Table 6: Learnership tax incentive summary statistics – SARS administrative data

		2009	2010	2011	2012	2013	2014	Total
Number of firms	Registered (current year)	345	1,722	1,947	2,342	2,414	1,808	10,578
	Completed	4	13	63	443	935	636	2,094
Value of claims (R mil)	Registered (current year)	255.0	2,389.1	2,689.4	3,489.8	2,708.3	1,900.1	13,431.6
	Completed	0.7	26.6	126.8	862.9	1,765.1	688.9	3,471.1
Estimated number of learners								
	Registered (current year)	8,499	79,636	89,645	116,327	90,276	63,337	447,721

4. The 2016 ETI/Learnership tax incentive survey

About the survey:

In May 2016, the National Treasury conducted an online survey on the Employment Tax Incentive (ETI) and Learnership Tax Incentive. The aim was to gather information from businesses on whether they have used the incentives, their experiences if they have, and to gauge if the incentives are achieving their stated objectives. The survey was sent to business organisations and professional umbrella organisations. A total of 1 018 responses were received, 720 of which were complete. The survey provides useful information on respondents' views of whether the incentives are working or not. It also provided an opportunity for respondents to comment on how the incentives and the administration thereof can be improved.

Summary of Feedback from the survey:

The learnership tax incentive is intended to encourage vocational training through formal learnership contracts, to encourage accredited workplace training by employers. Its objectives are to:

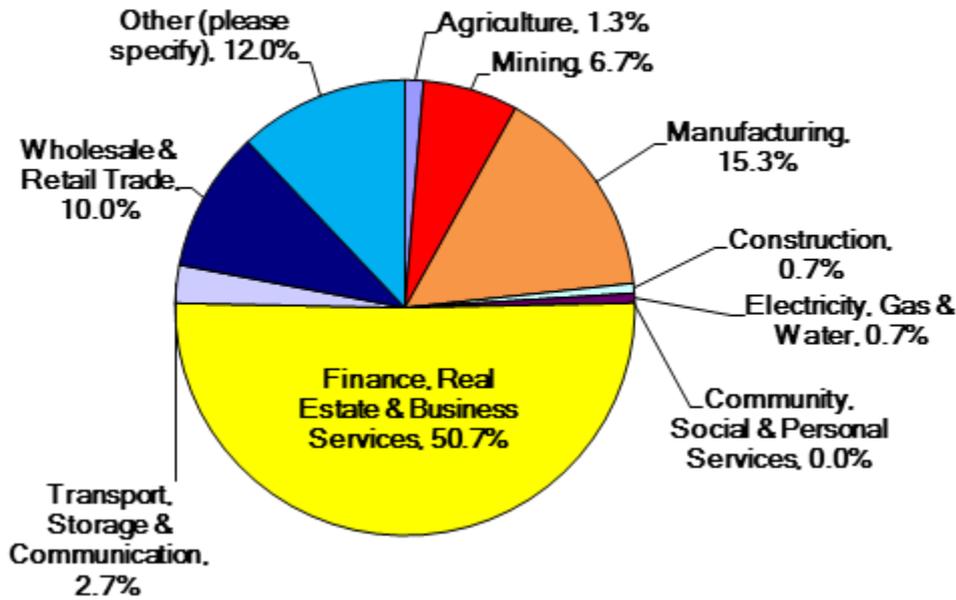
- Promote skills development
- Encourage human capacity development
- Encourage job creation by reducing the cost of hiring and training employees through formally recognised learnerships

Feedback from the survey suggests that the learnership tax incentive seems to deliver on its objectives in terms of:

- Training, skills development, and employment:
 - Respondents suggested that the incentive makes it more attractive to hire and train young (inexperienced) people – doing so is more cost effective due to the incentive
 - It is viewed as an instrument that enables businesses to grow the talent pool and increase their labour force
- However, there appears to be a disconnect between the skills developed and business needs.
- Importantly, survey respondents indicated that the take up of the incentive would be much higher if their engagement with SETAs was more efficient, and the administration burden in accessing the incentive was reduced significantly.
- Greater awareness of the learnership tax incentive and its related requirements would ensure that more companies access the incentive.
- In some cases, learnership programmes would have continued even in the absence of the tax incentive. It is thus important to take into account additionality when evaluating tax incentives like the learnership tax incentive.

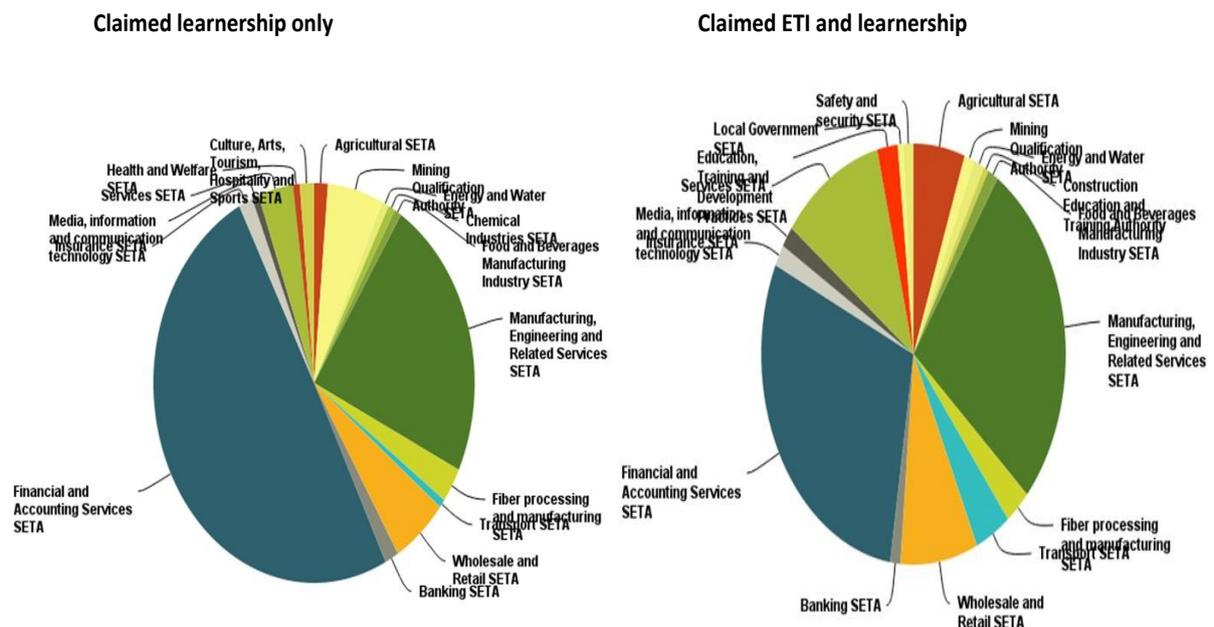
Characteristics of firms claiming the learnership tax incentive:

Figure 7: Sectors respondents operate in



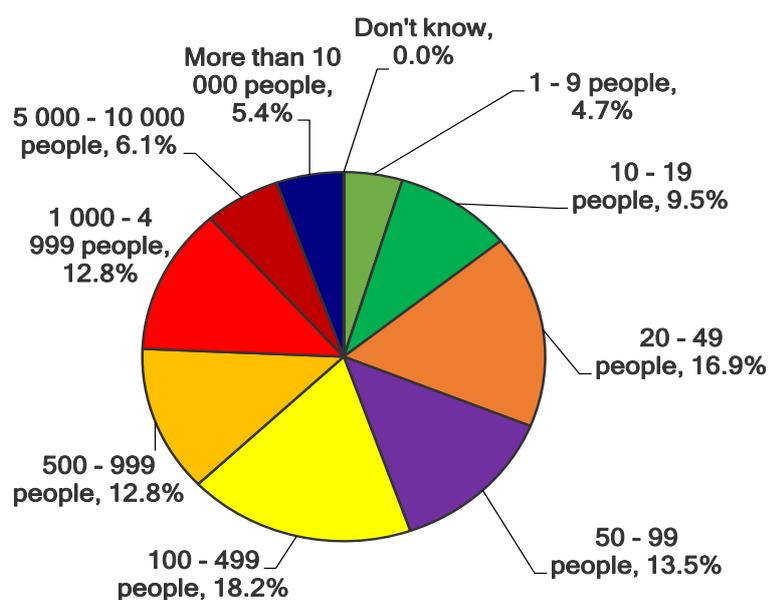
The sectors the survey respondents indicated they operated in was from across the board (these refer to respondents that only claimed learnership tax incentive and not the ETI, or both the learnership and ETI). Finance, Real Estate & Business Services, Manufacturing, and Wholesale & Retail Trade together accounted for more than 75 per cent of respondents. The Other category accounted for 12 per cent, and was mostly related to companies involved in retail motor trade and automotive repairs.

Figure 8: SETA associated with survey respondents



In terms of the learnership tax incentive, most respondents indicated that they fall within the Financial and Accounting Services SETA (FASSETA). For respondents that only claimed the learnership tax incentive, approximately half fall within FASSETA (49.7 per cent), while those who claimed both the learnership tax incentive and ETI, most worked with FASSETA (29.5 per cent) and the Manufacturing, Engineering and Related Services SETA (MERSETA) [27.3 per cent]. For those that only claimed the learnership tax incentive, the distribution illustrated in Figure 8 is largely similar to the distribution of claiming firms as suggested by the SARS administrative data, where most claims were made by firms in the finance sector. From the survey responses discussed below, the role of the particular SETA companies are involved in appears to have a significant influence on the efficiency of the tax incentive.

Figure 9: Number of employees working at company claiming learnership tax incentive



There was a relatively high response rate to the survey from small to medium companies. Figure 9 indicates that close to two thirds of respondents (62.8 per cent) were companies with less than 500 employees.

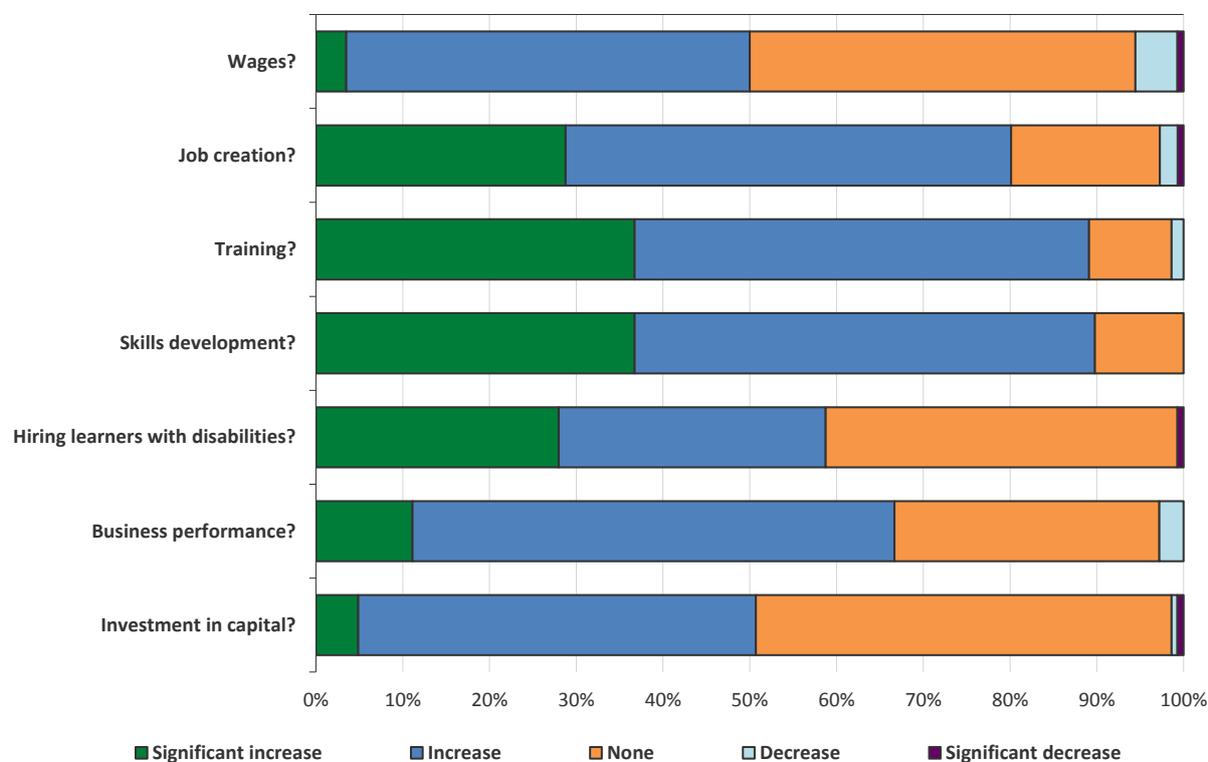
Survey respondents were asked to provide feedback on the effect of the learnership tax incentive on various aspects of their business as summarised in Figure 10⁶. The response on the effect of the learnership tax incentive on job creation, training, and skills development was largely positive, with few respondents indicating that it had no effect or a negative effect. The results were not as strong in terms of how attractive the incentive makes it to hire learners with disabilities. While there was some indication that the learnership tax incentive has a positive effect on business performance, the evidence was mixed on whether the incentive promoted investment in capital.

While the learnership tax incentive seems to be successful in encouraging employers to train more people, there is a question mark on whether the current design allows for the appropriate training / skills development that employers require. Despite the incentive being structured to produce people with SAQA accredited qualifications upon completion, respondents mentioned that not all learners who have completed their programmes are skilled enough to fulfil the roles they are required to right

⁶ The survey provided feedback from respondents that claimed the ETI and learnership tax incentive individually and simultaneously – Figures 10 and 11 present the outputs for companies that claimed only the learnership tax incentive. In terms of those companies that claimed both the ETI and learnership tax incentive, the results were largely similar to that presented in Figures 10 and 11.

away. This highlights the issue raised in the literature regarding the quality of the training the learners are undergoing, and whether these are well aligned to business needs.

Figure 10: Effect of the learnership tax incentive



It should be noted that some learnership programmes would have continued in the absence of the tax incentive. For example, the structured learnership programmes required for chartered accountant trainees to fulfil their articles. Such candidates have post-graduate degrees and are more than likely to find a position for articles. Should the learnership rather be focused on lower qualification levels where the prospects of enhanced skills development and finding employment are much lower?

Given the point above, it is important to consider the concept of additionality when evaluating tax incentives like the learnership tax incentive. The main objective of a tax-based incentive is to stimulate private sector investment / spend that would not have occurred in the absence of the incentive. Additionally should thus be one of the factors when evaluating the effectiveness of incentives such as the learnership tax incentive. To this extent, feedback from the survey suggested that some companies would offer CA training programmes even without incentive.

This raises a few important questions that needs attention in reviewing the incentive design:

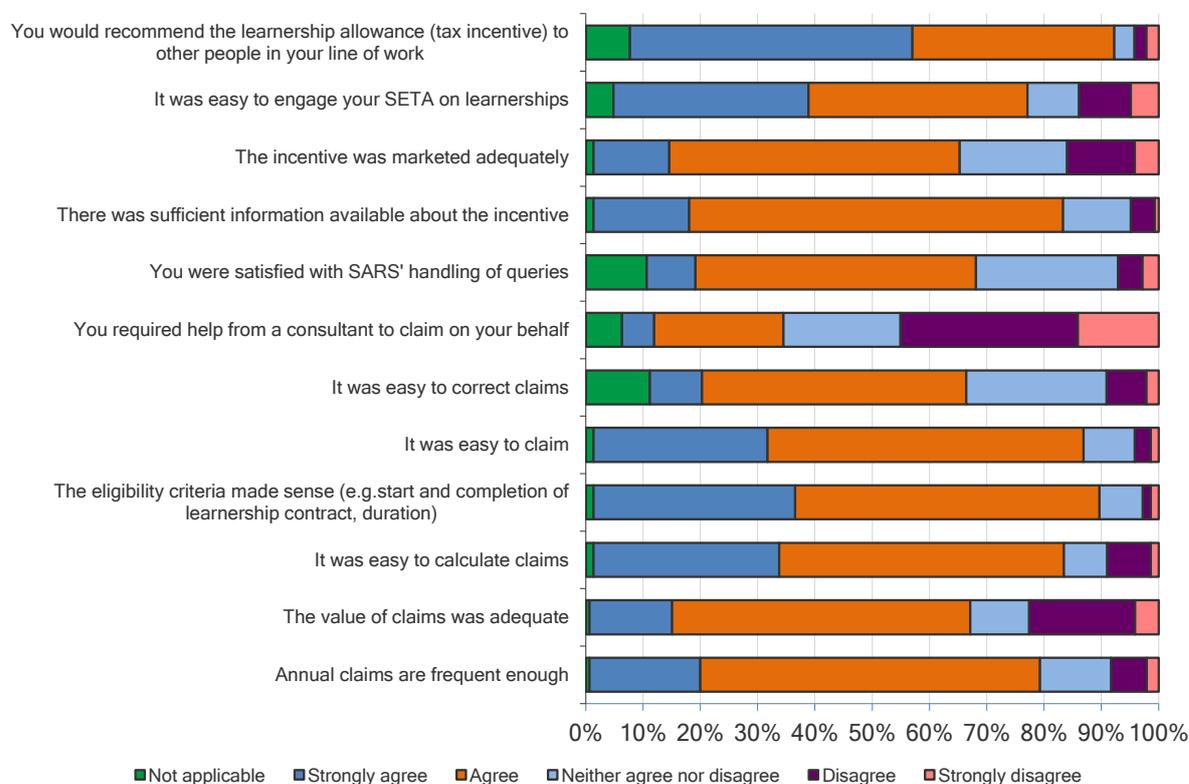
- how can the incentive be redesigned to align skills taught with skills required?
- should the incentive’s eligible qualifications be more targeted at lower levels?

The main areas where respondents felt improvements to the incentive could be made were:

- Marketing of the incentive – one third of respondents did not claim because they did not know about learnership tax incentive. They requested more online information and information sessions about the incentive.
- Availability of information about the incentive
- Quality of training courses

- SETA functionality in the learnership process – respondents saw the SETAs as a major barrier to the uptake and efficiency of the incentive.
 - Unable to efficiently assist with the administrative process and overall process is considered too cumbersome.

Figure 11: Satisfaction with design and administration of the incentive



Survey respondents were asked to rank their satisfaction with the design and administration of the learnership tax incentive - the responses are summarised in Figure 11. Some of the elements of the incentive that respondents were generally happy with included:

- Claims - Frequency, value, and ease of calculation.
- Ease of claiming - although not necessarily that easy to correct claims.

The output from Figure 11 also indicates that companies accessing the incentive are generally satisfied with the quantum of the deductions (R30 000 on commencement and annually, and R50 000 for learners with a disability). By contrast, there were seemingly contradictory results from the written feedback and the figure above in terms of engagement with the SETAs. Table 7 highlights the frustrations companies have in engaging some SETAs in terms of claiming the learnership tax incentive, however, the feedback from the second question in Figure 11 suggests that companies found it relatively easy to engage with SETAs. The written comments suggest that there are real challenges in terms of engaging some SETAs, hence we could assume that there may have been an issue of interpretation with the question in Figure 11.

One of the most valuable aspects of the survey was the ability to receive written feedback from respondents. These inputs are summarised in Table 7. All inputs from the online survey were taken into account in the review process.

Table 7: Summary of responses from the learnership tax incentive online survey

Key theme	Responses
Training and skills development	<ul style="list-style-type: none"> • Without the incentive, it becomes too expensive to train young people. The incentive makes investment in human capital more cost effective. • Without the incentive senior staff may be more attractive. • Incentive makes it easier to hire learners (hire more than normally would), and promotes skills development (means to improve skills of existing employees). • Relevant training takes place – hence benefit to employee (skills gained) and employer (gain properly trained staff). • Business (staffing) model would probably change without the incentive – train more than ordinary budget allows. • Increases the willingness of the employer to train. If this has to be removed, company would have to train less. • Lack of skills in motor industry – incentive aids company strategy to train own technicians. • Training courses offered are useless and the additional cost of the training negates any tax incentive
Hiring	<ul style="list-style-type: none"> • Still difficult for corporates to hire people (youths) with disabilities, despite fairly positive feedback on the learnership (learnership makes it more financially viable) • Encourage more inexperienced staff to be hired – at that stage (early stage of employment), they are not contributing as much to company profits, so incentive makes it more cost effective to hire them. • Learnerships are a good recruitment tool as it leads to a professional qualification • Incentive makes it more feasible for training providers to hire additional staff, even though the demand for their services fluctuates. • Incentive seen as critical for the accounting industry – professional services firms use it as an instrument to grow the talent pool and increase labour force. • Incentive provides motive for small business to continue employing trainees. • Most employees are made permanent after 3 - 6 months. • Retention of learners important – high drop-out rate in some cases. • Incentive ensures a constant stream of young apprentices who can replace qualified staff who leave once they qualify (e.g. qualified artisans – critical shortage in SA). • Trained employees are more likely to job hop and leave the employer with a continuous vacuum.
Impact on the company	<ul style="list-style-type: none"> • Frees up funds for greater capital investment, with positive spin offs for business growth. • Cost savings are generally used for capital investment, additional study leave, or further training and development. • Incentive overall positive, but there are still significant indirect costs (organizational burden/inefficiencies) in running learnership programmes, e.g. professional services. • It is a 'below the line' tax incentive that has no impact on the company's profit before tax which is the line on which most decisions are based. • Indirect costs of learnerships - learners always unhappy with amount they are paid, and lack of enthusiasm affects the rest of the staff in our employ.
Additionality	<ul style="list-style-type: none"> • Mismatch of educational qualifications of applicants with qualifying criteria. Learnerships would have been offered anyway, so there is no net positive effect. • Bank would offer the CA training programme irrespective of the tax incentive. Does not impact the amount of trainees employed or their salaries. The amount is also not significant enough to impact capital investment or business performance. • Decision to take on learners is not driven by the incentive (including learners with a disability – quantum doesn't matter)

<p>Suggestions for improving the incentive</p>	<p><u>SETAs:</u></p> <ul style="list-style-type: none"> • Sort out the SETAs – unable to assist with correct information to get employees registered, etc. If they had a guide to this, it would be helpful. • Process too cumbersome – MERSETA a problem. Tax allowances do not justify the administration time and costs. • Maybe look at the governing institutes to register the learnerships, i.e. IRBA, SAICA, SAIPA, SAIT, Law Societies, EAAB, FSB etc. Once they are registered, the SETAs can administer the claims. • Admin - has to be an automation opportunity for this process (online submissions) • All SETAs do not have learnership programs, or enough, and this is a problem. Services SETA Great, Security SETA bad. • We would invest more in learnerships if the SETA supports us. • SETA inefficiencies at times cause delays to close the exit allowances out. • Exit (completion) allowance to be claimed based on completion confirmation from the service provider. • Introduce strict performance criteria for SETAs in respect of learnership involvement. • Eligibility criteria too strict in some SETAs. • Services SETA have a very tedious system - many delays in finalising performance agreements and issuing of confirmations and tax incentive letters. • SETA is being ripped off by consultants overcharging and not really influencing skills in the work place. • Difficulties in training providers formalizing programmes that qualify – engagement with SETAs not of much assistance. • Lack of support from SETAs. • Availability of funds from SETA is not sufficient. <p><u>Administration process (general):</u></p> <ul style="list-style-type: none"> • Reduce the administrative and organizational burden, which is too high. • A form is completed separately for each learnership. Completing a schedule with all the learnerships would simplify the process and save time. • Make it more business-friendly. • A helpline at SARS would be useful. <p><u>Awareness / Information needs:</u></p> <ul style="list-style-type: none"> • More marketing of the benefits would increase employers’ participation even further (raise awareness of what the incentive is aiming to achieve and what the potential benefits are). <p><u>Design:</u></p> <ul style="list-style-type: none"> • Beneficial if the learner allowances were closer aligned to the prescribed stipends. • Link to ETI (and learners with a disability) - learners with disabilities are highly marketable and therefore need to be paid more to be retained. However, the wage ceiling for youth employment would then preclude these employees from the ETI. Further, BBBEE requires a specific percentage of the wage bill to be spent on learners with disabilities, and achieving this target may be hindered by the ETI wage ceiling. • Pity that providing bursaries or sponsoring higher education at university is not deemed a learnership. • Calculation is too complex.
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	<ul style="list-style-type: none">• Section 12(h) needs to be aligned to the new nomenclature of the QCTO.• Convert the tax incentive to a grant - tax incentive is not reflecting in a cash inflow, but in reduced tax bills.• If the deduction remains, it should be claimed in advance rather than in arrears to enable the financing of the programme. <p><u>Training quality:</u></p> <ul style="list-style-type: none">• Verification of learners' qualifications, skills and competencies is important.• Make learnership programmes more relevant to business needs. <p><u>Other:</u></p> <ul style="list-style-type: none">• Fixed contract workers are preferable, as more can be employed for a period. Also provides employees with additional skills.• Policy certainty is a benefit of the current system – now uncertainty is being introduced
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As part of the survey process, the National Treasury also received submissions from industry participants illustrating how the learnership tax incentive impacts their business. The case study on the motor industry below illustrates how the learnership tax incentive has been used by companies to provide necessary training to its employees in order to address the skills needs in the industry.

Box 1: Retail motor industry case study

The availability of appropriately skilled artisans in South Africa is a challenge, and the National Development Plan's (NDP) objective is to produce 30 000 artisans a year by 2030. The retail motor industry is a good example of where businesses are actively contributing to the achievement of this goal, as well as striving to ensure that their employees are adequately skilled.

Of the 21 000 companies in the retail motor sector, the Motor Industry Bargaining Council (MIBCO) categorise 84 per cent of these as small businesses. According to the Retail Motor Industry (RMI) Organisation, even though a large number of small companies do not have qualified artisans, they are doing the work of qualified artisans. Smaller businesses often do not have the capacity to provide adequate training. There are a couple of factors that can contribute to this – the cost of establishing training facilities; meeting the trade requirements (in respect of tools and equipment) as set out by NAMB (National Artisan Moderating Body); and the increased costs of training due to the fast pace at which technology changes in this environment.

Growing the skills pool in this sector is crucial and some medium and large businesses in the industry have set up training facilities and hired the necessary staff for training programmes that target much needed artisanal skills. The training programmes are accredited by the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MerSETA), which is also responsible for accrediting training providers, registering, monitoring, funding and signing off both apprenticeships and learnerships in the industry. Companies are not only training their own staff in apprenticeship and learnership programmes, but are also assisting with training beyond their needs to increase the current skills pool. The learnership tax incentive caters for this as it encourages employers to train both the employed and unemployed.

Based on MIBCO minimum wages, the estimated total cost of training is close to R500 000 for the duration of a 4 year apprenticeship. According to RMI, the tax incentive contributes approximately R120 000 (at 28 per cent) of the total cost of learner and apprentice training, which makes training more affordable and serves as a stimulus for businesses to engage in training. Three large corporate groups in the automotive dealership environment claimed between R9 million and R11 million in respect of the learnership tax incentive in 2015/16.

Barloworld has an apprenticeship training programme consisting of four levels, which take between two and four years to complete. A MerSETA-approved trade assessment must be passed before an apprentice can proceed to the next level, and before finally qualifying as a mechanic. The training facilities include workshops for practical training, and apprentices are trained with a long-term view in mind so that they can be employed on a full-time basis at the Barloworld Motor Retail dealerships. The company trained an average of 362 apprentices annually across the four levels between 2012 and 2015. Of those that qualified as mechanics, the absorption rate ranged between 67 and 84 per cent for the four-year period. The company offers training for smaller companies that do not have the capacity to do in-house training, thereby assisting smaller companies to train apprentices and benefit from the tax incentive.

Imperial Holdings has also invested considerably in three training centres and infrastructure to support the group's technical and non-technical training programmes. There are 617 technical apprentices currently completing their trade. These trades cover light vehicle; heavy vehicle; auto electrical; motorcycle and scooter; forklift; panel beating; and spray painting trades for the motor industry. The company currently has an estimated 500 employees on non-technical programmes in logistics; office and general administration; warehousing; freight handling; and transport. In addition, training is also provided for 583 apprentices from over 80 private non-Imperial companies, employed and registered with MerSETA. These clients do not wish to have their own training facilities and rely on the larger groups, together with government grants and the learnership tax incentive to fund learnership and apprenticeship programmes. Approximately 80 per cent of employees on learnerships and apprenticeships are employment equity (EE) candidates who were previously unemployed.

Bidvest McCarthy has three fully accredited training and trade test centres in Midrand, the Western Cape and Kwazulu-Natal. The company trains on average 500 apprentices annually on motor, diesel and auto electrician trades. 80 per cent of the apprentices are EE candidates as this contributes largely to the company's transformation strategy. The tax incentives assisted in maintaining apprentice numbers in a challenging economic environment which the motor industry is currently experiencing.

The relative success of the apprenticeship and learnership programmes described in the retail motor industry case highlights the benefit of properly structured learning programmes that are well targeted to what the industry demand for skills is. As highlighted in this review document, this outcome is not uniform across all sectors, creating significant challenges in reaching the goals set by the NDP. Box 2 below summarises the main challenges that inefficient SETA administration poses for the success of the National Artisan Development Programme.

Table 8: Sectoral (according to SETA) breakdown of artisans

SETA	Sector	Entered	Completed	% Entered	% Completed
MERSETA	Manufacturing / Engineering	5,044	3,227	26%	39%
MQA	Mining	2,417	1,683	12%	21%
CETA	Construction	4,185	917	21%	11%
CHIETA	Chemical	1,864	748	9%	9%
EWSETA		1,534	393	8%	5%
TETA		1,467	366	7%	4%
W&RSETA		650	192	3%	2%
AGRISETA		335	175	2%	2%
CATHSETA		200	127	1%	2%
FP&MSETA		248	110	1%	1%
SERVICES		809	67	4%	1%
HWSETA		47	64	0%	1%
SASSETA		503	34	3%	0%
FOODBEV		81	31	0%	0%
LGSETA		251	30	1%	0%
PSETA		47	30	0%	0%
ETDPSETA		-	-	0%	0%
MICT		-	-	0%	0%
Total		19,682	8,194	100%	100%

Source: DHET (2016)

Data from the SETAs is used in Table 8 to illustrate the number of artisans (per SETA) that have entered and completed learning programmes during 2015/16. Most artisans have come through the MERSETA in the manufacturing sector, representing the largest share of total artisans entering (26 per cent) and completing (39 per cent) learning programmes. This outcome supports the SARS administrative data, which shows that firms in the manufacturing sector were the third largest claimants of the learnership tax incentive between 2009 and 2014.

It is clear that the 8 194 artisans that completed their programmes in 2015/16 is far from the NDP target of 30 000 per year by 2030. Nonetheless, it would be important to determine what elements of the system have been working for this sector, so that these can be maintained and enhanced over the medium to long term to ensure that the NDP goals are reached. Is the administration in terms of accessing the learnership tax incentive better in MERSETA compared to other trade-related sectors? Do the different learning pathways in artisanal development make a difference?

Table 9: Artisanal learnerships as a share of all learning programmes

				Assumption 1*		Assumption 2**		Assumption 3***	
		Entering	Completed	% Entering	% Completed	% Entering	% Completed	% Entering	% Completed
Learnerships	unemployed	66,938	28,749			59%	47%		
	employed	27,000	24,473			24%	40%		
Bursaries	unemployed	18,801	3,920						
	employed	6,962	2,962						
Internships	unemployed	14,120	3,397						
	employed								
Skills Programmes	unemployed	35,867	34,963						
	employed	86,423	91,574						
Artisans		19,682	8,194	21%	15%	17%	13%	8%	4%
Total learnerships (excl. artisans)		93,938	53,222						
Total learnerships (incl. artisans)		113,620	61,416						
Total programmes (excl. artisans)		256,111	190,038						

*Assumption 1 Artisan numbers are in addition to learnership numbers

**Assumption 2 Artisan numbers are included in learnership numbers

***Assumption 3 Artisan numbers are included in all listed programmes

As illustrated in Table 9, under different assumptions, the particular learning path makes a difference for the relative share of artisans in terms of overall learning programmes. Assumption 1 views artisans as separate from total learnerships. Under this scenario, artisans entering (19 682) and completing (8 194) make up 21 and 15 per cent of learnerships respectively. This share becomes progressively smaller under scenarios 2 and 3. Scenario 2 adds artisans to the total learnerships, while scenario 3 adds artisans to all listed learning programmes.

5. Key policy considerations

The issues discussed in this section highlight the main aspects relating to the learnership tax incentive that will inform the proposed policy reform options. This takes into account the most relevant and feasible policy recommendations from the literature review, the statistical analysis based on the SARS tax administration data, feedback from the learnership survey, as well as all stakeholder engagements as part of the learnership tax incentive review process.

Learnership claims narrowly distributed:

While the original design of the learnership tax incentive had no specific targeting of sectors built into it, the SARS administration data in section 3 of this report shows that most of the firms that have claimed the learnership allowance have been concentrated in the finance sector, followed by manufacturing and wholesale & retail trade sectors. Does this concentration further our development objectives as a country?

It is important to understand why the limited uptake of the learnership tax incentive in certain sectors has materialised. From the analysis, the following areas could provide possible answers as to why the incentive uptake has not been significant in a broader range of sectors:⁷

- Does firm size make a difference?
- Does SETA efficiency and functionality contribute to varying sectoral uptake?
- Is the learnership tax incentive design prohibitive?
- Is awareness of the incentive optimal?

⁷ Further empirical analysis should be done to explore some of these possible reasons. The existing empirical literature on the learnership tax incentive is unfortunately lacking due to the data limitations discussed in this section.

Box 2: SETA inefficiencies

Inefficient administration system of the artisan programme:

- 1. Research informing Sector Skills Plans largely unreliable**
 - a. research by SETAs into the supply and demand for artisans in the SA economy is of a poor quality.
- 2. Low throughput reinforced by insufficient career guidance**
 - a. too little career guidance and often occurs too late, is uncoordinated and does little to prevent ill-informed decisions on learners' development path;
 - b. many artisan learners enter incorrect programmes and either drop out or fail because of this.
- 3. SETA learner agreement registration is complicated and inefficient**
 - a. linked to bureaucratic delays resulting in widespread employer frustration, while SETA grant disbursement system is often inefficient and slow.
- 4. Monitoring of SETA learner programmes poor**
 - a. often takes place too late, causing further increases in drop-out rates, exacerbating employer dissatisfaction.
- 5. No employer confidence in learner programmes, nor artisans emerging from them**
 - a. quality assurance of learner programmes is resource intensive, costly and inconsistent;
 - b. requirements from a multitude of quality assurance bodies changes continually and the use of consultants to interface with training providers has not increased quality nor delivery.
- 6. Delays in accessing trade test**
 - a. trade test centres within public TVET colleges remain limited;
 - b. learners thus access expensive private trade test centres, where SETA monitoring remains inadequate.
- 7. Impact evaluation sorely lacking in the skills development system**
 - a. Empirical evidence does not currently verify whether the current artisan programmes being funded are appropriate, nor whether they result in employment absorption.

SETA operational challenges:

1. Many SETAs have failed to meet the annual targets agreed to in their Annual Performance Plans approved by the Minister of Higher Education & Training
2. Collectively, the SETAs have failed to disburse the levies collected, meaning that training that could have taken place did not.
3. Administrative procedures vary greatly across different SETAs, making it especially difficult for those working with SETAs to comply, as well as making it cumbersome for learners trying to access learning opportunities.
 - a. All SETAs have their own application and disbursement procedures, with key differences in: who may apply; what is funded; the length of the process; timing and methods of advertising application opportunities; application forms and processing procedures; corporate information requirements; payment of tranches; and monitoring and verification of reporting requirements.
4. Some SETAs with strategic importance have a low income due to low wages in the sector, e.g. AgriSETA.
5. Complaints from employers about delays in grant allocation are widespread.
6. Governance challenges continue to plague certain SETAs, with one SETA placed under administration in 2013/14 and a further two in 2014/15.
7. Administration costs of the system are high.

Source: Mzabalazo Advisory, 2014; DHET, 2015 (New NSDS and SETAs Landscape)

SETAs:

In the current design of the learnership tax incentive, the SETAs have an important role to play in terms of the administrative efficiency of the incentive. The review process, however, indicates that some SETAs face significant difficulties in fulfilling this role optimally, impacting negatively on the learnership programme, but also on other elements of the National Skills Development Strategy such as the National Artisan Development Programme for example. Feedback from the National Treasury online survey on the learnership tax incentive suggested that some SETAs are a barrier to the effectiveness of the learnership tax incentive. Box 2 highlights how SETA inefficiencies create challenges for artisan development, as well as illustrating the day-to-day problems with SETA operations.

An example of how this materially impacts the learnership tax incentive is through inefficiencies related to claiming the annual and completion allowances. Respondents suggested that SETAs were unable to supply them with the correct information to get a learnership registered – this may also be related to the varying requirements for this process based on the relevant SETA. In addition, claiming the completion allowance was problematic as employers faced delays in receiving confirmation of completing the learnerships from the SETAs. Points 5 and 6 in Box 2 relating to inefficient administration of the artisan programme would also have a significant negative impact on the uptake of the learnership tax incentive. If employers have little or no confidence in the learnership programmes or the graduates they produce, they may decide to forego the tax benefit of the incentive. In addition, if trade tests are difficult to access, this would have negative implications for throughput rates as well as delaying when companies are able to claim the completion allowance for the learnership tax incentive.

There are strong indications that the SETAs have a significant influence on the take up of the learnership tax incentive. The sectoral distribution of learnership claims shows that firms in some sectors seem to be more affected than others. Firms dealing with SETAs in sectors such as electricity, gas & water; agriculture; construction; community & personal services; and mining, having shown particularly low take up of the incentive. A lack of awareness of the incentive may play a role in explaining the low take up in some sectors - a third of respondents did not know about the incentive. Given the challenges highlighted in Box 2, SETA functionality may to a large extent explain why the take up of the incentive has been low in a number of sectors.

How can the challenges related to the SETAs in the administration of the learnership incentive be addressed? These proposed changes must be seen within the context of the SETA reform process that is currently underway. On 10 November 2015, The Minister of Higher Education and Training issued a Notice in the Government Gazette to call for public comments on the document titled: "Proposal for the New National Skills Development Strategy (NSDS) and Sector Education and Training Authorities (SETAs) Landscape within the Context of an Integrated and Differentiated Post-School Education and Training System (herein after referred to as NSLP 2015)". The NSLP 2015 aims to achieve better integration of the skills development institutional landscape into the post-school system, and improved coordination of the skills levies to support education and training programmes aimed at preparing people for the working world. The outcome of this process is uncertain at present; however, given the proposed changes, there is a risk that there may still be inefficiencies in the SETA system over the medium term related to implementing the proposed amendments, and this is likely to have an impact on the learnership tax incentive.

Given the ongoing NSLP 2015 process, a proposed solution could attempt to minimise the SETA inefficiencies by allowing learnerships to be registered with properly accredited institutions other than SETAs. This would shift the focus of the learnerships more towards accredited qualifications at the end

of the programme, as well as reducing the administrative burden on the SETAs, given their capacity constraints faced. Institutions such as the Quality Council for Trade and Occupations (QCTO) could play an important role in this context if properly capacitated.

Skills planning needs to improve to ensure better quality outputs:

One of the main issues in the skills development strategy, as well as the literature on the learnership and feedback from the survey, is to ensure that the quality of the learnership programmes are of a sufficient standard to meet the industry demand for learnership graduates. This theme of a mismatch of skills demanded by the industry and the skills produced by programmes such as the learnership and artisanal development programmes is identified in the various HSRC studies on the learnership, as well as the Expenditure Performance Review of the National Artisan Development Programme (Mzabalazo Advisory, 2014)⁸.

Driving this mismatch is the lack of alignment between key stakeholders (SETAs, education and training providers, and firms) in the skills development system. In addition, the research conducted by SETAs on the supply and demand for artisans for example, is considered to be of poor quality and largely unreliable (Mzabalazo Advisory, 2014). The literature also suggests that SETA compliance to meet performance targets adversely affects the consideration of the quality of training and skills developed, or the impact on the employability of participants. Indeed, the quality of the training provided was an important issue for respondents to the learnership survey. Some respondents felt that learners did not have all the requisite skills even after completing their programmes. Therefore, there should be a focus on a mechanism to ensure that learners are completing programmes that meet the required industry standards.

This issue is being addressed by initiatives such as the LMIP, but experience from Germany's dual VET system shows that there needs to be sufficient flexibility to adjust curricula and policies in order to maintain a competitive and skilled labour force. Having an instrument such as the learnership tax incentive in place is only one element in the system – other stakeholders need to play their part and ensure that the training provided is meeting the demand from firms who are supposed to absorb this newly skilled labour.

The design of learnership incentive could, however, be amended to promote a greater emphasis on the quality of the training as part of the learnership, by ensuring that the qualification upon completion of the learnership is properly accredited. This could be done through the QCTO or other quality councils for example. The idea is not to add new institutions to the system, but to find ways to redeploy existing institutions to maximise the benefits of existing instruments such as the learnership tax incentive.

Is the learnership incentive correctly targeted?

The introduction of the learnership system was aimed at addressing the shortcomings of the original apprenticeship system, focussing mainly on providing more structured workplace learning and increasing access. In terms of access, it covered all industrial sectors and all skills levels, not just intermediate skills - NQF level 4 (HSRC, 2012). Basic skills levels (NQF levels 1 – 3) and high skills levels (NQF levels 5 – 8) certification are also covered. This meant that well established professional training programmes in accountancy were also captured, along with new learning opportunities in services sectors, e.g. tourism and media.

⁸ Report for Government Technical Advisory Centre (GTAC) – National Treasury

A newly established SETA system was tasked with administering the learnership system, and given the challenges already highlighted, has resulted in several inefficiencies and unintended outcomes. According to the 2010 HSRC study, a vast majority of high level skills qualifications provided through the learnership pathway system were concentrated in the financial sector. Moreover, they found that the learnership tax incentive seems to be attracting those with mid-level skills and those with high-level skills for the most part. Of higher concern was that a lesser proportion of those with low-skills were absorbed into employment after the learnership. The reference to concentration in the finance sector is confirmed by claims data from SARS referred to earlier.

While the initial design of the learnership tax incentive may have warranted a broad targeting of skills levels, the economic situation and priorities have evolved since the inception of the incentive. The demand for high-skilled individuals remains; however, the learnership incentive should also improve the employment prospects of those most vulnerable to unemployment due to a lack of skills and relevant qualifications. Graduate and post-graduate students arguably face a much better chance of employment compared to those individuals with basic-level skills and qualifications. These vulnerable individuals would benefit more from accessing a programme like the learnership, compared to individuals with a much higher likelihood of employment. Indeed, employers would be more willing to train or hire these highly skilled people, compared to those with more basic skills levels or qualifications.

In terms of the effectiveness of the learnership tax incentive, the concept of additionality also has to be considered. I.e. would the training of these individuals have taken place even in the absence of the incentive? Feedback for the learnership survey indicated that some banks would have continued with their chartered accountant training programmes even if they were not eligible for the incentive. Given the discussion above, and the cost of providing these incentives, government should consider whether it is providing this tax relief to the correct target market, and if there is not a better way of targeting this relief. For example, to target the learnership tax incentive at a narrower market – i.e. those with much lower employment prospects, where employers would find it very difficult to train and hire these individuals without some kind of incentive?

Data Management:

International experience has provided some evidence of the benefits of policy monitoring and evaluation in terms of the success of vocational and education training programmes. In this regard, one of the areas where the skills development system in South Africa is still lacking is in terms of impact evaluation. More evidence is needed to verify whether the current programmes being funded are appropriate, and whether they result in the skills and employment outcomes they are targeted towards.

The LMIP is an initiative that aims to improve the knowledge and data gaps by expanding labour market research outputs in six priority areas. In terms of the learnership tax incentive, data from the SARS administrative data base is also a rich data source that would enable more robust policy analysis of the tax incentive. SARS previously made the completion of the IT180 form compulsory for employers to complete to claim the learnership tax incentive, however, this has subsequently been removed as a requirement. Reinstating this requirement would provide valuable data in future relating to learner specific information that could be linked to a specific learnership agreement – this data would greatly enhance the ability to produce more evidence-based policy analysis.

6. Recommendations

Table 10: Summary of policy recommendations

	Recommendation	Risks/Key Considerations	Cost Considerations
1.	Keep the learnership tax incentive in place beyond its current sunset date of 1 October 2016	<ul style="list-style-type: none"> • Is there sufficient evidence to support the continuation of the learnership tax incentive? • What would the impact be of removing the incentive? • If it does continue, should it do so with or without changes to its current design? 	<ul style="list-style-type: none"> • The learnership tax incentive cost government R4.7 billion in foregone tax revenue between 2009 and 2014.
2.	Extension – learnerships can be registered with SAQA accredited institutions, other than a SETA, that provide training courses which lead to qualifications that are SAQA accredited	<ul style="list-style-type: none"> • Lightens burden on SETAs without changing their mandate • Will SARS be able to administer this? 	<ul style="list-style-type: none"> • How much would we need to afford this? • How many additional institutions will perform these functions?
3.	Targeting – more focussed targeting of the learnership tax incentive by prioritising agreements with learners who have basic- to intermediate-skills levels and qualifications	<ul style="list-style-type: none"> • What are the identified skills priorities and demand for qualifications? • Where is policy intervention required? • How can targeting be implemented across various sectors? 	<ul style="list-style-type: none"> • The potential reduction in the value of the additional deduction proposed could partially offset any likely increase in claims due to the design of the targets
4.	Data management – make SARS IT180 form compulsory, and for SARS to share the data with National Treasury	<ul style="list-style-type: none"> • Essential to have this data to track individuals over time, and evaluate what has happened to their employment status • Might be some concerns from SARS in terms of the administration burden, but this is an important point we should emphasise as crucial to the evaluation of the incentive in future • Also important to include in this form the person’s highest level of education and what qualification the person may have 	

Recommendation 1:

With the learnership tax incentive coming to an end on 1 October 2016, a review of the incentive was undertaken to determine whether it should continue, and if so, in what form. The review aimed to understand whether the incentive has met its stated objectives. The outcome of the learnership tax incentive review process has yielded sufficient evidence that the continuation of the incentive beyond its current sunset date is warranted. Hence, it is proposed that the sunset date for the learnership tax incentive be extended from 1 October 2016 to 31 March 2022.

Recommendation 2:

- *Problem Statement:*
 - SETAs are a key link in the learnership system in terms of administration and in a training capacity
 - Thus, the success of the learnership is intricately linked to an efficient SETA system
 - However, SETAs have various problems as discussed earlier, and has a significant impact on the effectiveness of the programmes

- *Possible solution:*
 - Allow institutions that are SAQA accredited to register the learnerships, e.g. IRBA, SAICA, SAIPA, SAIT, Law Societies, EAAB, FSB and other bodies contained in Table 11.
 - Once they are registered, the SETAs can perform their mandated functions.
 - Who are the other large organisations across the various sectors that could possibly fill this role? Do they have the capacity to register these learnerships efficiently?
 - Are other sectors organised well enough to enable registration of learnerships there?
 - In-house training or private training providers to receive SAQA accreditation?
 - This is already done to a large degree because of the perception of the poor quality and capacity of the TVET system; also in relation to section 12I (of the Income Tax Act, No. 58 of 1962) industrial policy projects, many companies provide specialised training that does not have a SAQA equivalent, but because of the specialised nature of the training, they request the training to be regarded as SAQA equivalent.

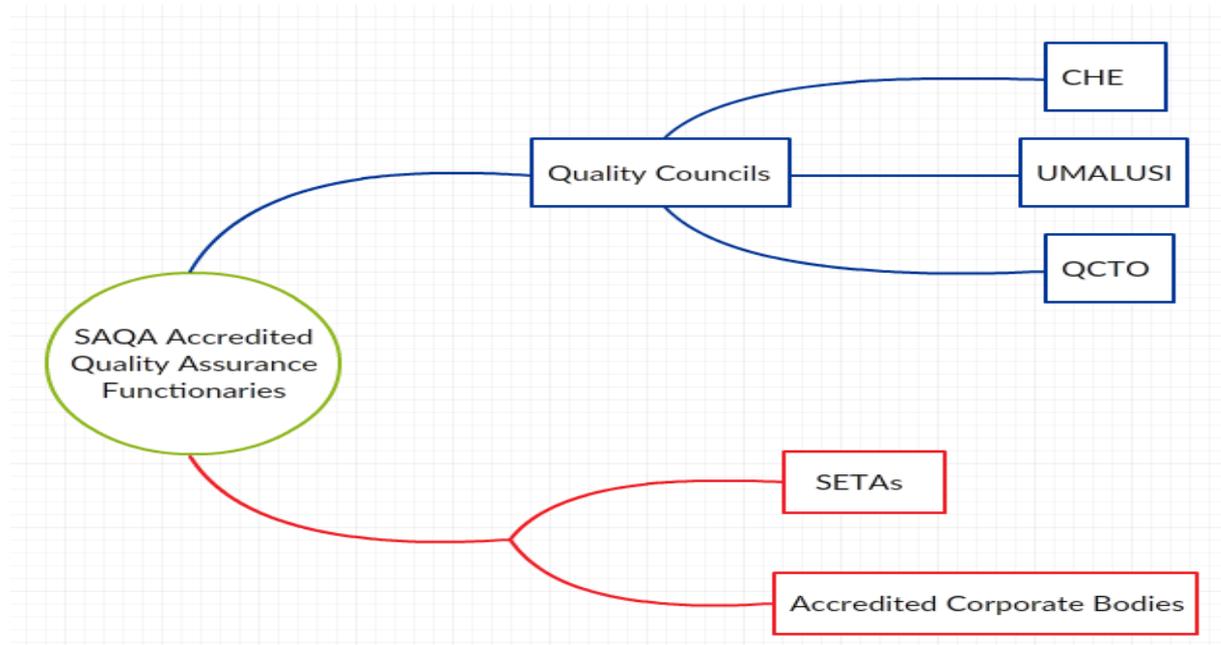
Recommendation 2 design considerations:

The second recommendation will be structured to allow other governing institutions that are accredited by SAQA to register learnerships in their respective fields of speciality, and SETAs will maintain their functions as stipulated in the Skills Development Act, No. 97 of 1998 (“the Skills Development Act”). The corporate bodies listed in Table 11 would be accredited institutions that could fulfil this role (although not only limited to those institutions listed here), which would be in addition to the role the SETAs currently perform.

In South Africa, a qualification is only recognised if it is accredited by SAQA, whose responsibility it is to oversee and advance the development and objectives of National Qualifications Framework (NQF), and also to recognize and register professional bodies. SAQA has a policy and criteria for recognising a professional body and registering a professional designation for the purposes of the NQF, Act 67 of

2008⁹. There are three Quality Councils under SAQA, which are (i) Council on Higher Education (CHE) (ii) UMALUSI and the (iii) Quality Council for Trades & Occupations (QCTO). Their main responsibilities include (i) the development and management of sub frameworks, (ii) develop qualifications as needed in the sector and (iii) recommend qualifications to SAQA for registration. Figure 12 shows SAQA accredited quality assurance functionalities - with 21 SETAs currently registering learnerships; however, the inefficiency that hampers the effectiveness of the learnerships in this regard is well documented.

Figure 12: SAQA Accredited Quality Assurance Functionaries



Reducing the administrative burden on SETAs by broadening the number of accredited bodies through which learnerships can be registered with could alleviate a large portion of the bureaucratic delays currently experienced in the system. The scope can be widened by including professional bodies accredited by SAQA and quality councils such as the Quality Council for Trades & Occupations (QCTO) in each sector to take some burden from the SETAs. This will hopefully create an efficient system that is properly targeted and is able to provide scarce skills that are in demand. Importantly, linking the registration of learnership agreements to the quality councils will provide greater emphasis on the quality of training that takes place. This was a key concern for most of the employers that are currently accessing the learnership tax incentive.

Expanding the number of institutions able to register learnerships beyond the SETAs could be achieved by issuing regulations in terms of the Skills Development Act. The proposed change is not fundamentally amending the purpose of the Skills Development Act, nor the functions of the SETAs in terms of that Act, but rather expanding on it. These regulations would thus extend the function of registering learnerships in terms of the Skills Development Act to SAQA accredited corporate bodies.

The regulations must include the definition of SAQA accredited corporate bodies and clearly define responsibilities and limitations given to these corporate bodies. As is the case with enabling legislation such as regulations – these will not supersede the primary legislation (i.e. the Skills Development Act),

⁹ SAQA, 2008. Policy and Criteria for Recognising a Professional Body and Registering a Professional Designation for the Purposes of the National Qualifications Framework Act, Act 67 of 2008 (2012).

but should be read in conjunction with it. Extending the registration process does not remove SETAs completely from registering learnerships, as some sectors including Manufacturing do not have SAQA accredited corporate bodies. In addition, the 1 per cent levy will still be applicable whether the registration is done through a SETA or a corporate body.

Table 11: List of SETAs and SAQA accredited corporate bodies

SECTOR	SETA	CORPORATE BODY
Agriculture, forestry and fishing	AGRISETA; FIETA (Forest Industry SETA)	Agricultural Research Council (ARC)
Community social and personal services	HWSETA (Health and Welfare SETA); SASSETA (Safety and Security SETA); ETDPSSETA (Education Training and Development Practices SETA)	South African Nursing Council (SANC); Health Professions Council of South Africa (HPCSA)
Construction	CETA (Construction SETA)	South African Council for Project and Construction Management Professionals (SACPCMP)
Electricity gas and water	ESETA (Energy and Water SETA)	
Financial intermediation, insurance, real estate and business services	BANKSETA; FASSET SETA (Financial and Accounting Services SETA); INSETA (Insurance SETA)	Law Society of South Africa (LSSA); South African Institute of Tax Professionals (SAITP); Independent Regulatory Board for Auditors (IRBA); Institute for Bankers in South Africa (IOB); Financial Services Board (FSB); South African Institute of Chartered Accountants (SAICA); Institute of Certificated and Chartered Statisticians of South Africa (ICCSA); Institute of IT Professionals South Africa (IITPSA)
Manufacturing	FOODBEV (Food and Beverage Manufacturing Industry SETA); FPMSETA (Fibre, Processing & Manufacturing SETA); MICTSETA (Manufacturing, Engineering and Related Services SETA); MERSETA ¹⁰ (Manufacturing, Engineering & related Services Education and Training Authority); CTFL (Clothing, Textiles, Footwear and Leather SETA); CHIETA (Chemical Industries SETA);	The manufacturing sector is extremely diverse, such that its key roles tend to overlap with other sectors. The sector has no corporate bodies that are accredited by SAQA. Due to the diversity of the sector, in-house training is preferred by the industry. In-house training allows companies to train workers on the specific function their job requires, making it more efficient. Important to note is that besides the SETAs, other stakeholders are not recognised by SAQA.
Mining and Quarrying	MQSETA (Mining Qualifications Authority SETA)	Institute of Mine Surveyors of Southern Africa (IMSSA)
Transport, storage and communication	TETA (Transport SETA) Media, Information and Communication Technologies SETA (MICTS)	
Wholesale and retail trade, catering and accommodation	CATHSETA (Culture Arts, Tourism, Hospitality and Sports SETA) W&RSETA (Wholesale and Retail SETA) THETA (Tourism and Hospitality SETA)	Southern African Tourism Services Association (SATSA); Federated Hospitality Association of South Africa (FEDHASA); Tourism Business Council of South Africa (TBCSA); Association of Southern African Travel Agents (ASATA); Regional Tourism Organisation of South Africa (RETOSA)
Other	LGSETA (Local Government SETA); PSETA (Public Service SETA); SERVICES SETA (is responsible for the disbursement of the training levies payable by all employers)	South African Council For Educators (SACE) ; South African Council for Social Service Professions (SACSSP); General Council of the Bar (SABAR); Engineering Council of South Africa South African Board for People Practices (SABPP); Employee Assistance Professionals Association of South Africa (EAPASA).

¹⁰ MERSETA has five chambers: Automotive, Metal and engineering, Motor, Plastics and New tyres:

- Metal Chamber which comprises firms involved in the manufacturing and servicing of capital equipment including transport equipment;
- The Auto Chamber which covers South Africa's seven large established automotive and commercial vehicle assemblers, also known as original equipment manufacturers (OEMs);
- The Motor Chamber which includes firms involved in the motor retail and service industries, as well as in the manufacture of automotive components;
- The New Tyre Chamber which consists of firms involved in the manufacture of new tyres; and
- The Plastics Chamber which includes firms involved in the manufacture of plastics products from locally manufactured and imported polymers.

The National Treasury survey responses highlighted a challenge faced by tax payers when claiming the completion allowance for the learnership tax incentive. SARS requires sufficient proof of the successful completion of the learnership before the claim can be processed. SARS also makes provision should the employer have difficulty attaining confirmation from SETAs in the year of assessment in which the learnership was completed. A statement of results issued by an accredited training provider and an evaluation report by a registered assessor on work place experience can be used as alternative proof. Allowing accredited training providers to register learnerships will not necessarily mean they are given power to provide confirmation for completion. SETAs will maintain their responsibilities in terms of administering claims and providing confirmation of completion which can be done more efficiently.

Recommendation 3:

- *Problem Statement:*
 - HSRC study: A vast majority of high-level skills qualifications provided through the learnership pathway system were concentrated in the financial sector.
 - UNU-Wider, 2014: Results suggest that there is a selection of people with school leaving certificates (matric) in these learnership programmes and those at the lower end of the skills and education distribution may be excluded.
 - Learnerships do not seem to target those with the lowest skills levels but favour those with higher levels of skills and education
- *Possible solution:*
 - From the SARS data and the online survey conducted by the National Treasury, we know that firms in the finance industry are the largest claimants of the incentive – however, there is a need for upskilling people with basic- to intermediate-level skills given our persistently high unemployment rate.
 - If we want to incentivise employers to take on learners at the basic to intermediate end of the skills and education distribution, who have much lower prospects of employment compared to post-graduate students entering articles programmes for example, with a high likelihood of employment – what do we need to change?

Recommendation 3 design considerations

The current design of the learnership tax incentive does not focus on a particular qualification level or type of learnership agreement. It is also important that the learnership tax incentive compliments the overall skills strategy of the Department of Higher Education and Training (DHET). In updating the determination of the sub-frameworks that comprise the NQF, the DHET noted that the “demand for occupational qualifications is greatest at NQF levels 1 to 6”¹¹. This is also reflected in the DHET publication on scarce skills¹². This notwithstanding, and as reflected in the occupations in demand in the DHET scarce skills list, there is still a demand for those with high-level skills, where policy intervention is warranted.

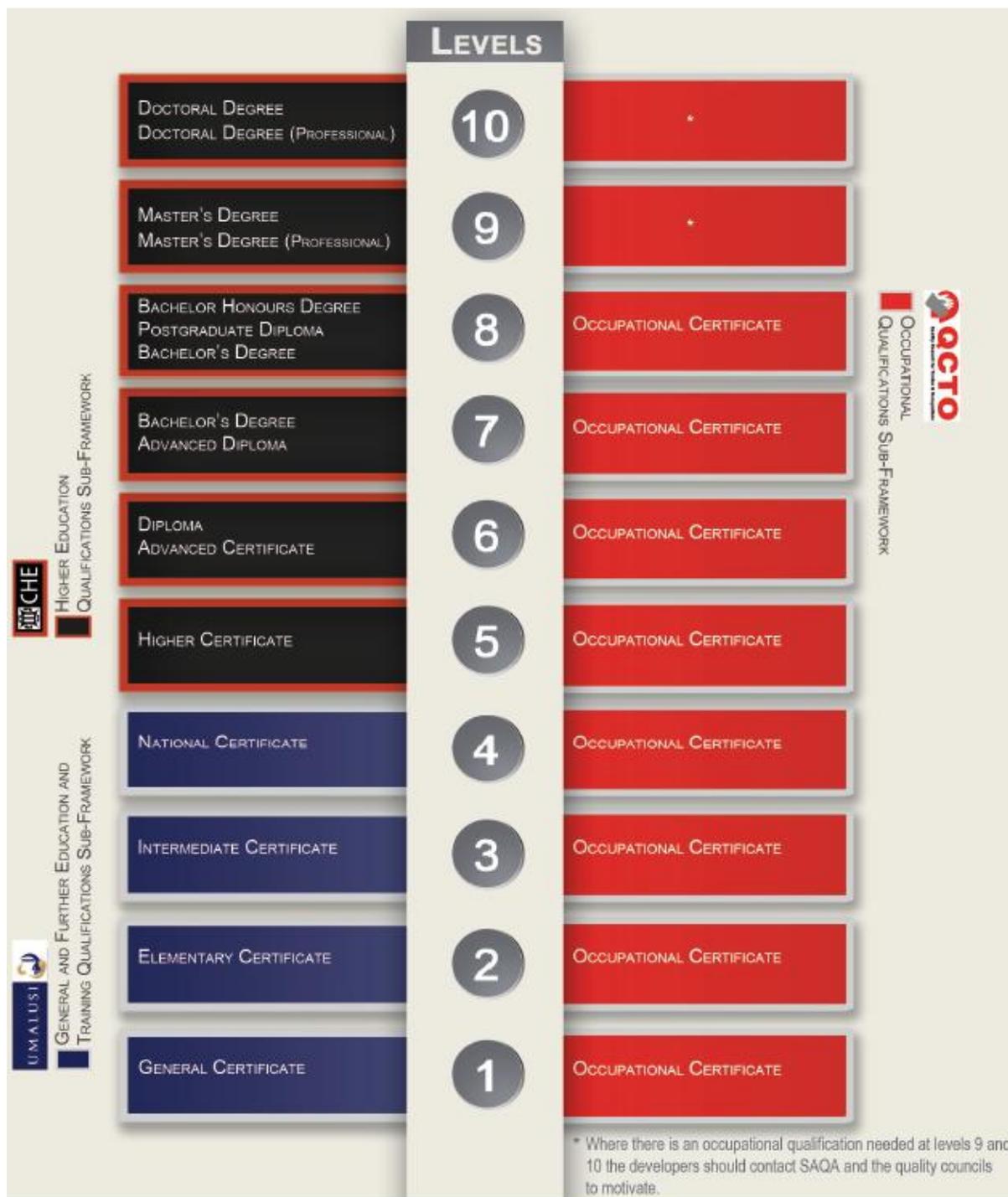
In line with the DHET policy priorities, these recommendations seek to encourage employers to train learners in those skill categories where demand is highest. Government feels strongly that there should be a more focussed targeting of the learnership tax incentive by prioritising agreements with

¹¹ Government Gazette No. 36803 of 2013 (Amendment to the determination of the sub-frameworks that comprise the National Qualifications Framework.

¹² Government Gazette No. 37678 of 2014 (National Scarce Skills List: Top 100 Occupations in Demand).

learners who have basic to intermediate skills levels and qualifications. This is aimed at incentivising employers who would otherwise not have trained or employed people with these skills levels and qualifications, compared to more highly qualified people, who have a comparatively better chance of finding employment. Within this context, focussing on and providing more support to encourage artisan development is in line with the goals set out by the National Development Plan in terms of producing 30 000 artisans annually by 2030.

Figure 13: NQF – Sub-frameworks and Qualification Types



Source: SAQA

The National Qualifications Framework (NQF) provides level descriptors used in designing qualifications by (i) allocating a level to a unit standard or a qualification, and (ii) formulating outcomes and criteria for assessment to clearly indicate the level of knowledge of a learner required to successfully achieve the qualification. These are summarised in Figure 13, illustrating the three sub-frameworks that comprise the NQF.

As previously noted, graduate and post-graduate students arguably face a much better chance of employment due to their skills and qualifications, compared to those individuals with basic-level skills and qualifications. There should thus be a much higher demand for these highly-skilled and qualified individuals, providing them with better employment prospects. There is less of an argument for providing a further incentive to encourage employers to train and hire these individuals – especially if they would be hired in the absence of an incentive. Government feels strongly that the learnership tax incentive should be discontinued or reduced in value for higher NQF levels. However, there is insufficient data available to accurately determine what the impact will be if the learnership tax incentive was removed in respect of learners that have obtained skills and qualifications in line with NQF levels 7 – 10. With the recommendation to make the SARS IT180 form compulsory¹³ for employers to submit in order to claim the learnership tax incentive, there will be much more detailed information available to better understand the type of learnership agreements entered into in each sector. This will allow a much more detailed evaluation in 5 years' time. To avoid any potential negative consequences that may arise if support for this group is removed, we propose that support continues, but that the level (monetary value) is reduced.

In order to provide more support for the training of individuals in the identified target group, this recommendation proposes more focussed targeting of the learnership tax incentive by prioritising learners with basic- to intermediate-skills levels and qualifications. In this regard, employers entering into registered learnership agreements with learners that have qualifications between NQF levels 1 and 6 will be eligible for the learnership tax incentive with an increased deduction value compared to the current legislation.

Given the proposed targeting discussed above, Table 12 sets out how the value of the deduction will be differentiated as follows:¹⁴

Table 12: Learnership Tax Incentive Targeting Options

	Qualification	Proposed	Current
Person without disability	NQF 1 - 6	40,000	30,000
	NQF 7 - 10	20,000	30,000
Person with disability	NQF 1 - 6	60,000	50,000
	NQF 7 - 10	50,000	50,000

Employers entering into registered learnership agreements with learners whose qualification level at the time of entering into the learnership agreement is between NQF levels 1 and 6, will receive a proportionately larger deduction than those in respect of learners with qualifications between NQF levels 7 and 10.

¹³ See recommendation 3.

¹⁴ The NQF level descriptors will be based on the latest determination of the sub-frameworks that comprise the National Qualifications Framework – Government Gazette No. 36803, as illustrated in Figure 13.

The commencement and completion allowances will still be based on the same value if the learnership agreement was less than 24 months in duration (i.e. R40 000 in general, and R60 000 for learners with a disability)¹⁵. For example, for learners without a disability, the value of the deduction upon commencement will be R40 000, and then R40 000 per year for every successfully completed year of the learnership agreement, depending on the duration of the agreement.

In terms of the high skilled group with NQF levels 7 – 10, we propose that the current level of the incentive for this group is reduced as illustrated in Table 12. In terms of the persons with a disability who have NQF 7 – 10, the value of the deduction will be maintained at its current level. If the proposal on data management below is implemented, there should be more valuable data for policy analysis in future, allowing a more informed decision on what the impact will be of discontinuing or reducing the monetary value of the learnership tax incentive for higher NQF levels.

Recommendation 4:

- *Problem Statement:*
 - The analysis of the learnership tax incentive is hampered by a lack of relevant data, which would enable a more robust empirical analysis of the incentive if available.
 - While the SARS administrative data provides more information relating to the firms that claim the incentive, information relating to the learners themselves is not available at a sufficient level of detail.
 - To assess the success of the incentive in terms of its training and employment objectives for example, data is necessary to trace the individual entering the learnership to the point where that individual hopefully finds employment.
 - SARS previously made the completion of the IT180 form compulsory to claim the learnership allowance, however, that has subsequently changed, removing valuable information that would be essential for policy analysis of the learnership tax incentive.

- *Possible solution:*
 - Completion of the IT180 form should again be made compulsory for firms to claim the learnership allowance.
 - Also important to include in this form the person's highest level of education and what qualification the person may have
 - SARS should make this data available to National Treasury to conduct policy analysis

¹⁵ This refers only to NQF levels 1 to 6 in this example.