

SUBMISSION ON THE LEARNERSHIP AND APPRENTICESHIP TAX REBATE

INTRODUCTION

Business Unity South Africa (BUSA) has been advised that the National Treasury is currently evaluating the effectiveness of the learnership rebate introduced in the Income Tax Act with effect from 1 October 2001 for a five year period. We are also aware that the Department of Labour has approached the various SETAs to comment on possible abuses of the rebate. The Department of Labour intends to make a submission on this issue to the National Treasury on the basis of comments received from the SETAs. At a recent meeting of the National Skills Authority it was agreed that National Skills Authority constituencies should also provide direct input to National Treasury on the subject of the rebate. BUSA represents organised business in the National Skills Authority and is thus pleased to present its views on the subject of the learnership and apprentice tax rebate to the National Treasury.

BACKGROUND

BUSA shares government's recognition that a shortage of appropriate skills is a serious constraint to increased levels of economic growth, transformation and the empowerment of all South Africa's citizens. BUSA believes that every effort should be made to ensure that quality and relevant training takes place to deliver the skills that the economy needs if it is to grow at the levels we require to support our national objectives.

With limitations becoming apparent regarding the availability of grant funds for learnerships and apprenticeships, businesses require continuous incentives to continue to undertake the onerous nature of support for the practical component of training and to ensure that the true principles of learnerships and apprenticeships are maintained. The tax incentive, although limited, is a valuable incentive to encourage businesses to take on learners and apprentices.

In addition, the targets contained in the National Skills Development Strategy 2 2005 - 2010 (NSDS 2) for the training of learners and apprentices were projected on the basis that the tax rebate would be retained for the lifespan of the NSDS. Withdrawal of the incentive would have a negative effect on employers' ability to meet the projected targets, especially regarding the training of the unemployed.

It is recognised that a few unscrupulous businesses may have unfairly utilised the rebates in the past. However, it is felt that these are in the minority and should be dealt with through other mechanisms without jeopardising the broader benefit of the rebate for the South African economy as a whole.

It is also important to note that the entire skills development system, including the National Skills Fund, is funded by a 1% payroll levy paid by employers. A contribution from government, in the form of the tax rebate, is thus welcomed by BUSA.

RECOMMENDATION

At the present time, skills development is a cornerstone of the national development agenda and skills shortages present serious obstacles to economic growth, development and foreign direct investment. BUSA therefore believes that it is essential that the government's contribution to skills development in the form of the tax rebate be maintained to encourage employers to increase their training of learners and apprentices, and to ensure that the current training momentum is not lost.

BUSA would, therefore, strongly support that the tax rebate for learnerships and apprentices be retained for at least the life span of NSDS 2 which runs until 2010.