



# SARS LEARNERSHIP ALLOWANCES AND EMPLOYMENT TAX INCENTIVE GUIDE

*"With Broad-Based Black Economic Empowerment focused on Skills Development and Job Creation, the existing SARS 12H Allowance for learnership agreements has been extended to all agreements entered into before 1 April 2022. Similarly, the Employment Tax Incentive (ETI) has been extended to 28 February 2029."*

# SARS Learnership Allowance:

It's effectively a tax deduction, any Employer (natural person, company, close corporation, trust etc) will be eligible for a deduction of a learnership allowance during a year of assessment if the requirements are met.

The allowance is made up of both an Annual Allowance and a Completion Allowance.

## 1. Annual Allowance:

An annual allowance is claimed for each year of assessment in which the employee is party to a learnership agreement.

If the learnership did not run for a full 12 months in the year of assessment, the allowance should be apportioned.

## 2. Completion Allowance:

The completion allowance is claimed in addition to the annual allowance. This is a once-off claim in the year of assessment in which the learnership is successfully completed.

Should the learnership allowance not be completed for any reason, this allowance cannot be claimed by the employer.

Allowance Table:		
<u>Learners (non-disabled)</u>	Annual Allowance	NQF level 1-6 - R40 000 NQF level 7-10 - R20 000
	Completion Allowance	NQF level 1-6 - R40 000 NQF level 7-10 - R20 000
<u>Learners (with disabilities)</u>	Annual Allowance	NQF level 1-6 - R60 000 NQF level 7-10 - R50 000
	Completion Allowance	NQF level 1-6 - R60 000 NQF level 7-10 - R50 000

The employer will qualify for the annual allowance if:

- during any year of assessment, the learner is a party to a registered learnership agreement with the employer;
- the learner holds an NQF-level qualification from 1 to 10;
- the agreement was entered into pursuant to a trade carried on by that employer; and
- the employer has derived "income" as defined in section 1(1) from that trade.

The employer will qualify for the completion allowance if:

- during any year of assessment, the learner is a party to a registered learnership agreement with the employer;
- the learner holds an NQF-level qualification from 1 to 10;
- the agreement was entered into pursuant to a trade carried on by the employer;
- the learner successfully completed the learnership during the year of assessment; and
- the employer derived "income" as defined in section 1(1) from that trade

# Employment Tax Incentive (ETI):

The Employment Tax Incentive is an incentive aimed at encouraging employers to hire young work seekers. Its objective is to reduce an employer's monthly Pay-As-You-Earn by hiring young people through a cost-sharing mechanism with government while the remuneration of the employee remains unaffected.

## Who Qualifies for ETI?

- Employers who are registered for Employees' Tax (Pay-As-You-Earn) or must be eligible to register for Pay-As-You-Earn.

## Who are Qualifying Employees:

- An individual who has a valid South African ID, Asylum Seeker permit or an ID issued in terms of the Refugee Act
- Is 18 to 29 years old (please note that the age limit is not applicable if the employee renders services mainly inside a special economic zone (SEZ) to an employer that is operating inside the SEZ.
- Is not a domestic worker
- Is not a "connected person" to the employer
- Was employed by the employer or an associated person to the employer on or after 1 October 2013 and
- Is paid the minimum wage applicable to that employer or if a minimum wage doesn't apply, is paid a wage of at least R 2 000.00 (where the qualifying employee was employed for 160 hours in a month) and not more than R 6 000.00 remuneration.

## Determination of the ETI:

For the first 12 months of Employment:		
Monthly Remuneration	Determination	Monthly ETI Amount
R 0.00 – R 2 000.00	50% x Monthly Remuneration	R 0.00 – R 1 000.00
R 2 001.00 – R 4 500.00	Fixed Rate of R 1 000.00	R 1 000.00
R 4 501.00 – R 6 500.00	Formula: $X = A - (B \times (C - D))$ X = monthly calculated amount A = R 1 000.00 B = 0,5 C = Monthly Remuneration D = R 4 000.00	R 999.00 – R 0.00

  

For the Second 12 months of Employment:		
Monthly Remuneration	Determination	Monthly ETI Amount
R 0.00 – R 2 000.00	25% x Monthly Remuneration	R 0.00 – R 499.00
R 2 001.00 – R 4 500.00	Fixed Rate of R 500.00	R 500.00
R 4 501.00 – R 6 500.00	Formula: $X = A - (B \times (C - D))$ X = monthly calculated amount A = R 500.00 B = 0,25 C = Monthly Remuneration D = R 4 000.00	R 499.00 – R 0.00

# Example of 12H and ETI Benefits: Employee

## Employees (non-disabled):

### Costs:

Ikhwezi Management and Training FETC Learnership Cost:	<u>R 26 995.00</u>
<b>Total Annual Cost:</b>	<b>R 26 995.00</b>

### Tax Deductions:

Section 12H Annual Allowance: (R 40 000.00 x 28%)	(R 11 200.00)
Section 12H Completion Allowance: (R 40 000.00 x 28%)	<u>(R 11 200.00)</u>
<b>Total Annual Deduction/Savings:</b>	<b>(R 22 400.00)</b>

Effective Cost of Learnership:	R 4 595.00
B-BBEE Recognition Cost of Learnership:	R 26 995.00

## Employees (with disabilities):

### Costs:

Ikhwezi Management and Training FETC Learnership Cost:	<u>R 26 995.00</u>
<b>Total Annual Cost:</b>	<b>R 26 995.00</b>

### Tax Deductions:

Section 12H Annual Allowance: (R 60 000.00 x 28%)	(R 16 800.00)
Section 12H Completion Allowance: (R 60 000.00 x 28%)	<u>(R 16 800.00)</u>
<b>Total Annual Deduction/Savings:</b>	<b>(R 33 600.00)</b>

Effective Cost of Learnership:	(R 6 605.00)
B-BBEE Recognition Cost of Learnership:	R 26 995.00 *

*\* Employees salary for the duration of the learnership will also contribute to the overall B-BBEE recognition costs.*

# Example of 12H and ETI Benefits: Student

## Learners (non-disabled):

### Costs:

Ikhwezi Management and Training FETC Learnership Cost:	R 26 995.00
Learner Stipend (12 months x R 2 001.00)	<u>R 24 012.00</u>
<b>Total Annual Cost:</b>	<b>R 51 007.00</b>

### Tax Deductions:

Section 12H Annual Allowance: (R 40 000.00 x 28%)	(R 11 200.00)
Section 12H Completion Allowance: (R 40 000.00 x 28%)	(R 11 200.00)
ETI Allowance:	(R 12 000.00)
ETI Tax Savings (12 months x R 1 000.00 x 28%)	<u>(R 3 360.00)</u>
<b>Total Annual Deduction/Savings:</b>	<b>(R 37 760.00)</b>

Effective Cost of Learnership:	R 13 247.00
B-BBEE Recognition Cost of Learnership:	R 51 007.00

## Learners (with disabilities):

### Costs:

Ikhwezi Management and Training FETC Learnership Cost:	R 26 995.00
Learner Stipend (12 months x R 2 001.00)	<u>R 24 012.00</u>
<b>Total Annual Cost:</b>	<b>R 51 007.00</b>

### Tax Deductions:

Section 12H Annual Allowance: (R 60 000.00 x 28%)	(R 16 800.00)
Section 12H Completion Allowance: (R 60 000.00 x 28%)	(R 16 800.00)
ETI Allowance:	(R 12 000.00)
ETI Tax Savings (12 months x R 1 000.00 x 28%)	<u>(R 3 360.00)</u>
<b>Total Annual Deduction/Savings:</b>	<b>(R 48 960.00)</b>

Effective Cost of Learnership:	R 2 047.00
B-BBEE Recognition Cost of Learnership:	R 51 007.00



283 Main Road, Walmer, Port Elizabeth, 6070

041 581 8577

[info@ikhwezitraining.com](mailto:info@ikhwezitraining.com) | [www.ikhwezitraining.com](http://www.ikhwezitraining.com)

*Proudly a Level 4 B-BBEE Verified Contributor*