

Update for Employers

The complexity surrounding the s12H learnership allowance has been recognised, and SARS has released the PAYE reconciliation requirements for 2010.

• Learnership Allowances

For a number of years, the Ministry of Finance has indicated the need to provide additional tax incentives for skills training and the creation of jobs in South Africa. Although the current section 12H of the Income Tax Act provides for an additional income tax deduction for employers who enter into registered learnership agreements with their employees, the calculation of the deduction can be complex and is often complicated by the variables that need to be considered. As a result, taxpayers have often failed to claim the deductions to which they were entitled

The complexity surrounding learnership allowance deductions has been recognised by the authorities and a proposed simplified section 12H of the Income Tax Act was detailed in the Taxation Laws Amendment Bill 2009, which was released on 1 September 2009.

Once promulgated, the new provisions dealing with learnership allowances will be effective for years of assessment ending on or after 1 January 2010.

The proposed section 12H income tax deductions will be available to employers who have registered learnerships and apprenticeship agreements in place with employees or prospective employees. It is proposed that a commencement and completion allowance of R30 000 be introduced. The commencement allowance can possibly be claimed annually (depending on the length of the learnership) and the completion allowance can be claimed for each completed 12 month period of the learnership upon completion of the learnership. For learnerships granted to disabled persons, the factor for determining the commencement and completion allowance will increase from R30 000 to R50 000.



Unlike the current legislation, the proposed legislation does not contain recoupment provisions, resulting in employers being able to claim a commencement allowance on a pro rata basis for months prior to the termination of a learnership agreement by an employee due to resignation.

Although the proposed legislation provides for far greater tax deductions, there are still certain formalities regarding the registration of learnerships with the relevant SETA that need to be met in order to qualify for these tax benefits.

Should you have any questions regarding maximising the tax savings that can be achieved by making use of the learnership allowances, please feel free to contact us.

• PAYE Reconciliation 2010

On 1 September 2009 SARS issued a specification document dealing with PAYE reconciliation requirements for the 2010 tax year entitled, "Business Requirements Specification PAYE Reconciliation 2010". This document details the rules applicable to the creation and issuing of tax certificates, as well as the rules governing submission of PAYE reconciliation declarations to SARS that are effective from the 2010 tax year.

Amongst other changes, SARS has grouped together certain taxable allowances under one IRP5 source code and a similar approach has been followed relating to taxable fringe benefits, income taxable, non-taxable income and tax free allowances. SARS has also specified additional employee information which should be obtained by employers from employees.

Furthermore, a new type of tax certificate was introduced by SARS entitled "ITREG". Details regarding the purpose of this tax certificate are not at this stage clear, but it appears that it will be issued to employees by employers to employees where employees should be registered for income tax, but are not registered.

At the time that the 2009 Budget Speech was delivered, it was suggested that employers may be required to perform bi-annual PAYE reconciliations. The document, however,



does not provide any further details regarding this proposal other than that regulations pertaining to this proposal will be announced by the Minister of Finance in the Government Gazette.

We recommend that clients consult their payroll administrators in order to ensure that their payroll systems contain all the necessary updates to accommodate the newly-introduced SARS specifications.

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