
MEDIA STATEMENT

2016 Draft Taxation Laws Amendment Bill (Second Batch): Request for Public Comments on draft bill including Employment and Learnership Tax Incentives

National Treasury and the South African Revenue Service (SARS) today publish a second batch of the 2016 Draft Taxation Laws Amendment Bill (TLAB) for public comment, following the first batch TLAB published on 8 July 2016. The Bill contains additional amendments relating to the Employment Tax Incentive (ETI) and the learnership tax incentive, and revised amendments for proposals concerning interest free loans to trusts and restricted equity shares (for employee share schemes). Without further legislative amendments the ETI is set to expire on 31 December 2016 and the learnership tax incentive on 30 September 2016.

Employment Tax Incentive

A descriptive report on the ETI was published on 26 August 2016 (available on www.treasury.gov.za) and indicates that take up of the ETI has been strong, with over 32 000 employers claiming the incentive for 686 402 employees in the 2014/15 tax year. The total value of claims between 1 January 2014 and 31 March 2016 was R6.06 billion, substantially exceeding previous projections. Preliminary research suggests that the incentive has had a positive impact on the number of net new jobs created.

It is proposed that the employment tax incentive be extended for another two years until 28 February 2019 in order to promote more youth employment. The draft amendment also proposes a monetary cap of R20 million on the value of ETI claims per employer, per annum, to more effectively target the incentive towards those employers that are creating new jobs, and to also mitigate the total tax revenues forgone.

Learnership Tax Incentive

The review of the learnership tax incentive found that it provides positive support to training and skills development. The programme supported an estimated 447 721 learnerships between 2009 and 2014. Currently there are 19 682 registered apprenticeship learning contracts who could benefit from the incentive. It is proposed that the learnership tax incentive is extended from 1 October 2016 for another five years to 31 March 2022, with adjustments to the value of the deduction based on the qualification level of the learner when entering into a learnership agreement to improve the targeting of the

incentive towards more technical skills. It is proposed that the value of the deduction is increased to R40 000 for qualifications up to NQF level 6 and decreased to R20 000 for qualifications equivalent to NQF level 7 or higher.

The review of the learnership tax incentive is available on the National Treasury website.

Revised clauses related to interest-free loans to trusts and restricted equity shares

The Draft Response Document, which was presented to the Standing Committee on Finance on 21 September 2016, details the responses of National Treasury and SARS to public comments received after publication on 8 July 2016 of the first batch of the 2016 Draft TLAB, including responses to comments on (a) interest free loans to trusts and (b) restricted equity shares. The revised draft legislation (the second batch of the 2016 Draft TLAB) relating to these two provisions has changed substantially from the first draft of 8 July 2016, to take account of public comments received on the first draft. The proposals on interest free loans to trusts now deem the interest that is not paid by the trust to be a donation in the hands of the lender (as opposed to deemed income) and the proposals to tax dividend payments derived from restricted equity shares at the marginal personal income tax rates (instead of at the dividend withholding tax rate) have been postponed and replaced with specific anti-avoidance measures to deal with clear instances of abuse. The postponement is due to concerns over administrative difficulties to implement the initial proposal and differing views on the appropriate timing of an income tax deduction at a corporate level.

Request for public comments

The 2nd batch of the Draft 2016 Taxation Laws Amendment Bill and a draft Explanatory Memorandum can be found on the National Treasury (www.treasury.gov.za) and SARS (www.sars.gov.za) websites.

Please forward written comments on the updated draft Bill to Mmule Majola at: mmule.majola@treasury.gov.za and Adele Collins at: acollins@sars.gov.za by the close of business on 10 October 2016.

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