



## The benefits of Learnerships and Internships

With unemployment currently at 29% and youth unemployment at 56%, business owners in South Africa are under pressure to relieve socio-economic issues. This will involve a multi-sectoral approach involving stakeholders in the public sector civil society and the private sector where all these key role players work together in promoting youth development and providing youth services.

Business owners must be geared to create employment opportunities for people aged 15 to 35. The need for skills development and training has never been greater.

Skills development is under the spotlight and amendments to Broad-Based Black Economic Empowerment (B-BBEE) legislation has placed more emphasis on skills development with points earned for skills development being bumped up from 15 to 25 points.

With current government allowances in place, there has never been a better time to get involved in **learnership** or **internship** programs.

### Learnerships

A learnership is a vocational education and training program combining theoretical knowledge with industry specific workplace experience leading to a qualification registered on the National Qualification Framework (NQF). In practice a learner will enter into a fixed term employment contract with a company and attend training designed for that specific work environment. Normal term of a learnership is 12 months and at the end of the learnership they would have obtained an NQF qualification.

### Internships

An internship is a work experience program for individuals after their studies in order to gain practical experience required to make a positive contribution with respect to the career path they pursue.

These programs are normally for a period of 12 months and the candidate receives a fixed term internship contract.

### Financial benefits of Learnerships and Internships

- a) Section 12H of the Income Tax Act (The Act) provides for an allowance to employers in respect of qualifying registered **learnership** agreements entered between the employer and employee.
- b) The Employment Tax Incentive (ETI) is an incentive that was launched by SARS with the aim of encouraging employers to hire young job seekers. It reduces the cost of hiring young people by reducing the amount of PAYE owed by the employer to SARS without affecting the employees' salary.



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## **Tax allowance for Learnerships**

The Act allows for the following amounts to be added as an additional expense to the company, reducing its taxable income:

- R 40,000 Annual allowance upon registration of each learnership. This amount is calculated pro-rata.
- R 40,000 completion allowance upon successful completion of each learnership.

The R 80,000 allowance per learner is for NQF level 1–6 qualifications and increases to R 120,000 for disabled learners. NQF level 7-9 qualifies for lesser amounts.

In addition, if the learners are younger than 29 years of age, the company also qualifies for the ETI allowance.

The allowance is calculated on a sliding scale of salaries less than R 6,000 per month and for example if the intern earns R 4,000 per month, the company gets a monthly deduction on their monthly PAYE bill of R 1,000

## **Allowance for Internships**

Employers only qualifies for the monthly ETI PAYE deduction.

SkillsHub SA assist in the end to end process from recruiting, training as well as workplace monitoring of the learners and all reporting to SETA.